

Interim condensed consolidated financial information and review report

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

30 September 2013 (Unaudited)

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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 2013 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 Companies Law No. 25 of 2012, or of the articles and memorandum of association of the Company, as amended, have occurred during the nine-month period ended 30 September 2013 that might have had a material effect on the business or financial position of the Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Parker Randall (Allied Accountants)

Interim condensed consolidated statement of income

		Three months ended		Nine months ended	
		30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Notes					
Revenue					
		9,776,951	9,016,403	31,739,733	30,952,288
		(8,019,959)	(6,534,685)	(24,468,072)	(22,418,856)
Gross profit					
		1,756,992	2,481,718	7,271,661	8,533,432
		6,928	16,052	231,296	406,707
		(528,742)	(197,724)	(1,076,868)	(164,546)
	5	532,946	177,551	841,592	479,437
		12,303	(6,010)	(14,246)	(11,822)
		1,780,427	2,471,587	7,253,435	9,243,208
Expenses and other charges					
		(221,572)	(153,025)	(687,784)	(550,014)
		(489,945)	(704,500)	(1,938,350)	(2,289,411)
		(135,612)	(143,064)	(272,496)	(433,772)
		-	(401,107)	(500,000)	(651,107)
	8	(1,519,664)	-	(3,519,353)	(391,049)
	7	-	-	(117,960)	-
		(2,366,793)	(1,401,696)	(7,035,943)	(4,315,353)
(Loss)/profit before contribution to KFAS, NLST and Zakat		(586,366)	1,069,891	217,492	4,927,855
		3,216	(9,700)	(6,130)	(44,351)
		(3,239)	(28,742)	(25,941)	(137,249)
		(1,295)	(11,496)	(10,376)	(54,899)
(Loss)/profit for the period		(587,684)	1,019,953	175,045	4,691,356
Attributable to :					
		(358,609)	1,019,953	638,654	4,762,190
		(229,075)	-	(463,609)	(70,834)
(Loss)/profit for the period		(587,684)	1,019,953	175,045	4,691,356
Basic and diluted (loss)/earnings per share attributable to the owners of the parent					
	6	(1.03) Fils	2.95 Fils	1.84 Fils	13.80 Fils

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

Interim condensed consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
(Loss)/profit for the period	(587,684)	1,019,953	175,045	4,691,356
Other comprehensive income:				
<i>Items that will be reclassified subsequently to statement of income</i>				
Available for sale investments:				
- Net change in fair value during the period	(131,986)	(311,181)	(1,069,196)	930,997
-Transferred to consolidated statement of income on impairment	1,519,664	-	3,519,353	391,049
- Transferred to consolidated statement of income on sale	-	-	-	(59,768)
Exchange differences arising on translation of foreign operations	(2,780)	-	21,334	7,704
Share of other comprehensive income of associates	41,347	16,702	65,382	23,143
Total other comprehensive income/(loss)	1,426,245	(294,479)	2,536,873	1,293,125
Total comprehensive income for the period	838,561	725,474	2,711,918	5,984,481
Total comprehensive income attributable to:				
Owners of the parent company	1,067,636	725,474	3,175,527	6,055,315
Non-controlling interests	(229,075)	-	(463,609)	(70,834)
	838,561	725,474	2,711,918	5,984,481

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

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		23,037,593	23,867,840	27,000,137
Investment in associates	7	4,731,996	5,840,108	6,709,278
Available for sale investments	8	40,107,310	42,699,519	44,997,457
		67,876,899	72,407,467	78,706,872
Current assets				
Inventories and spare parts		15,991,393	14,863,204	10,804,810
Investments at fair value through statement of income		3,730,713	3,492,120	3,704,331
Accounts receivable and other assets		13,103,740	14,132,689	12,724,540
Fixed deposits	9	650,000	150,000	150,000
Cash and cash equivalents		4,523,070	6,114,488	5,312,928
		37,998,916	38,752,501	32,696,609
Total assets		105,875,815	111,159,968	111,403,481
Equity and liabilities				
Equity				
Share capital	10	34,641,264	34,620,187	34,620,187
Share premium	10	31,973,270	31,923,740	31,923,740
Treasury shares	11	(6,440)	(6,440)	(6,440)
Legal reserve		2,988,017	2,988,017	2,457,855
Voluntary reserve		1,405,196	1,405,196	875,034
Staff bonus shares reserve		195,500	-	-
Other components of equity	12	8,465,618	5,928,745	6,267,585
Retained earnings		743,862	4,254,020	5,050,809
Total equity attributable to the owners of the parent		80,406,287	81,113,465	81,188,770
Non-controlling interests		1,191,615	1,655,224	1,929,166
		81,597,902	82,768,689	83,117,936
Non-current liabilities				
Long term loan	13	-	1,902,446	3,669,009
Murabaha payables	14	-	-	3,070
Provision for land-fill expenses		715,437	709,571	695,232
Provision for staff indemnity		4,436,239	4,418,543	4,377,276
		5,151,676	7,030,560	8,744,587
Current liabilities				
Current portion of long term loan	13	3,679,634	5,341,250	3,566,563
Short term murabaha payables	14	4,907,262	6,639,164	7,500,720
Current portion of murabaha payables	14	3,070	16,885	18,420
Accounts payable and other liabilities		10,536,271	9,363,420	8,455,255
		19,126,237	21,360,719	19,540,958
Total liabilities		24,277,913	28,391,279	28,285,545
Total equity and liabilities		105,875,815	111,159,968	111,403,481

Abdul Aziz Ibrhaim Al-Rabia
Chairman

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

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

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Staff bonus shares reserve KD	Other components of equity (note 12) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2013	34,620,187	31,923,740	(6,440)	2,988,017	1,405,196	-	5,928,745	4,254,020	81,113,465	1,655,224	82,768,689
Dividend paid (note 15)	-	-	-	-	-	-	-	(4,148,812)	(4,148,812)	-	(4,148,812)
Cost of share based payment (note 16)	-	-	-	-	-	266,107	-	-	266,107	-	266,107
Issue of staff bonus shares (note 10)	21,077	49,530	-	-	-	(70,607)	-	-	-	-	-
Transaction with owners	21,077	49,530	-	-	-	195,500	-	(4,148,812)	(3,882,705)	-	(3,882,705)
Profit for the period	-	-	-	-	-	-	-	638,654	638,654	(463,609)	175,045
Other comprehensive income for the period	-	-	-	-	-	-	2,536,873	-	2,536,873	-	2,536,873
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	2,536,873	638,654	3,175,527	(463,609)	2,711,918
Balance at 30 September 2013	34,641,264	31,973,270	(6,440)	2,988,017	1,405,196	195,500	8,465,618	743,862	80,406,287	1,191,615	81,597,902

Interim condensed consolidated statement of changes in equity (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 12) 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 (note15)	-	-	-	-	-	-	(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 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

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

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2013 (Unaudited)	Nine months ended 30 Sept. 2012 (Unaudited)
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	175,045	4,691,356
Adjustments:		
Depreciation of property, plant and equipment	2,669,218	2,093,682
Provision for doubtful debts	500,000	651,107
Loss on write off of property, plant and equipment	18,677	6,012
Loss on sale of available for sale investments	523,511	160,748
Share of results of associates	1,076,868	164,546
Impairment of investment in associate	117,960	-
Impairment loss on available for sale investments	3,519,353	391,049
Dividend income from available for sale investments	(835,245)	(598,830)
Income from short term murabaha investment	(154,454)	(20,548)
Share based payment	266,107	-
Interest income	(2,871)	(1,628)
Finance costs	272,496	433,772
Foreign exchange loss on non-operating liabilities	12,188	25,376
Provision for land-fill expenses	5,866	14,361
Provision for staff indemnity	502,778	621,404
	8,667,497	8,632,407
Changes in operating assets and liabilities:		
Inventories and spare parts	(813,903)	881,394
Investments at fair value through statement of income	(238,593)	476,670
Accounts receivable and other assets	214,663	2,270,033
Accounts payable and other liabilities	1,154,002	(337,230)
Cash from operations	8,983,666	11,923,274
Staff indemnity paid	(485,082)	(274,304)
Net cash from operating activities	8,498,584	11,648,970
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,857,648)	(2,475,937)
Investment in associates – net	-	-
Purchase of available for sale investments	(66,711)	(3,460,717)
Proceeds from sale of available for sale investments	1,066,213	448,002
Dividend income received from available for sale investments	835,245	598,830
Fixed deposit	(500,000)	-
Income received from murabaha investments	154,454	20,548
Interest income received	2,871	1,628
Net cash used in investing activities	(365,576)	(4,867,646)
FINANCING ACTIVITIES		
Repayment of term loan	(3,576,250)	(5,294,750)
Repayment of murabaha payables	(9,970,933)	(4,330,746)
Proceeds from murabaha payables	8,225,216	8,760,681
Purchase of treasury shares	-	(103,798)
Sale of treasury shares	-	562,066
Finance costs paid	(272,496)	(433,772)
Dividends paid	(4,129,963)	(3,442,321)
Net cash used in financing activities	(9,724,426)	(4,282,640)
Net (decrease)/increase in cash and cash equivalents	(1,591,418)	2,498,684
Cash and cash equivalents at beginning of the period	6,114,488	2,814,244
Cash and cash equivalents at end of the period	4,523,070	5,312,928

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

National Industries Company – 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 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

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 2012 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the group.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

This interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine month period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013. For further details, refer to the financial statements and its disclosures for the year ended 31 December 2012.

3 Changes in accounting policies

3.1 Adoption of new IASB Standards and amendments during the period

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 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 7 Financial Instruments: Disclosures – amendments	1 January 2013
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
Annual Improvements 2009-2011	1 January 2013

3.1.1 IAS 1 Presentation of Financial Statements- amendment

The group has adopted the amendment to IAS 1 which requires entities to group other comprehensive income items presented in the interim condensed consolidated statement of comprehensive income based on those:

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

3.1.2 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

3.1.3 IAS 28 Investments in Associates – Revised as IAS 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.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 Adoption of new IASB Standards and amendments during the period (continued)

3.1.4 IFRS 7 Financial Instruments: Disclosures – Amendments

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position.

The adoption of this standard did not have any significant impact on the financial position or performance of the group.

3.1.5 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.

The adoption of this standard did not have any significant impact on the financial position or performance of the group.

3.1.6 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 aim to provide transparency about the risks a company is exposed to through its interests in structured entities.

None of these disclosure requirements are applicable for interim condensed consolidated financial information unless significant events and transactions in the interim period requires that they are provided. Accordingly, the group has not made any disclosures.

3.1.7 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. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. IAS 34 requires particular IFRS 13 disclosures in the interim financial statements (note 21).

3.1.8 Annual Improvements 2009-2011

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the group are summarised below:

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 Adoption of new IASB Standards and amendments during the period (continued)

3.1.8 Annual Improvements 2009-2011 (continued)

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The adoption of the above amendments did not have any significant impact on the financial position or performance of the group.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Management is yet to determine impact of these pronouncements in the interim condensed consolidated financial information. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 32 Financial Instruments: Presentation – amendments	1 January 2014
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

3.2.1 IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the group's interim condensed consolidated financial information from these amendments.

3.2.2 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety, 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.

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2012.

5 Investment income

	Three months ended		Nine months ended	
	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Gain/(loss) on exchange/sale of available for sale investments	350,401	-	(523,511)	(160,748)
Dividend income from available for sale investments	28,686	20,234	835,245	598,830
Income/(loss) from investments at fair value through statement of income	100,066	118,514	268,684	(34,405)
Dividend income from investments at fair value through statement of income	12,780	15,000	38,342	45,000
Income from short term Murabaha	37,746	23,803	154,454	-
Interest and other income	3,267	-	68,378	30,760
	532,946	177,551	841,592	479,437

Notes to the interim condensed consolidated financial information (continued)

5 Investment income (continued)

During the period, one of the foreign investees of the group merged with two other entities. As a result of the merger, the group received pro rata ownership interest in the merged entity having a fair value of KD1,037,986 resulting into a loss of KD873,912 on the exchange.

6 Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/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. 2013 (Unaudited)	30 Sept. 2012 (Unaudited)	30 Sept. 2013 (Unaudited)	30 Sept. 2012 (Unaudited)
(Loss)/profit for the period attributable to the owners of the parent (KD)	(358,609)	1,019,953	638,654	4,762,190
Weighted average number of shares outstanding during the period (excluding treasury shares)	346,392,700	345,163,454	346,371,083	345,071,456
Shares to be issued for no consideration under share based payments	622,550	-	622,550	-
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	347,015,250	345,163,454	346,993,633	345,071,456
Basic and diluted (loss)/earnings per share	(1.03) Fils	2.95 Fils	1.84 Fils	13.80 Fils

7 Investment in associates

The movement of investment in associates during the period is as follows:

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Balance at beginning of the year	5,840,108	6,842,977	6,842,977
Reduction of capital of an associate	-	(82,801)	-
Share of results of associate	(1,076,868)	(709,828)	(164,546)
Impairment of investment in an associate	(117,960)	(250,000)	-
Share of other comprehensive income	65,382	23,143	23,143
Foreign exchange translation	21,334	16,617	7,704
	4,731,996	5,840,108	6,709,278

As a result of the impairment testing of the carrying value of the investment in associates, the group recognised an impairment loss of KD117,960.

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Local quoted securities	13,455,512	11,814,979	12,182,519
Local unquoted securities	7,313,365	9,262,032	9,803,488
Foreign quoted securities	2,337,741	1,852,072	1,863,227
Foreign unquoted securities	14,006,407	16,771,865	18,148,223
Murabaha investment	2,994,285	2,998,571	3,000,000
	40,107,310	42,699,519	44,997,457

During the period, the parent company recognised an impairment loss of KD3,519,353 (31 December 2012: KD2,336,905 and 30 September 2012 KD391,049) against certain investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

9 Fixed deposits

Fixed deposits carry average interest rate of 1.5% (31 December 2012: 1% and 30 September 2012: 1%) per annum and mature within one year of financial position date.

10 Share capital and share premium

The details of the capital are as follows:

	30 Sept. 2013 (Unaudited)	31 Dec. 2012 (Audited)	30 Sept. 2012 (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	34,641,264	34,620,187	34,620,187

The parent company issued 210,767 shares under the staff share based payment scheme (Note 16) at KD0.335 per share. The amount in excess of nominal amount of KD0.100 was credited to share premium account.

11 Treasury shares

	30 Sept. 2013 (Unaudited)	31 Dec. 2012 (Audited)	30 Sept. 2012 (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	6,640
Market value (KD)	5,083	7,076	7,375

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)

12 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Total KD
Balance at 1 January 2013	5,992,952	(64,207)	-	5,928,745
Exchange differences arising on translation of foreign operations	-	21,334	-	21,334
Share of other comprehensive income of associates	57,531	7,851	-	65,382
AFS financial assets:				
- Net change in fair value during the period	(1,069,196)	-	-	(1,069,196)
- Transferred to consolidated statement of income on impairment	3,519,353	-	-	3,519,353
Total other comprehensive income for the period	2,507,688	29,185	-	2,536,873
Balance at 30 September 2013	8,500,640	(35,022)	-	8,465,618
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	-	7,704	-	7,704
Share of the comprehensive income of associate	19,896	3,247	-	23,143
AFS financial assets:				
- Net change in fair value during the period	930,997	-	-	930,997
- 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

13 Term loans

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Loan facility – KD	1,902,446	3,702,446	3,702,446
Loan facility – US\$	1,777,188	3,541,250	3,533,126
Instalment due within one year	3,679,634 (3,679,634)	7,243,696 (5,341,250)	7,235,572 (3,566,563)
Instalment due after one year	-	1,902,446	3,669,009

Notes to the interim condensed consolidated financial information (continued)

13 Term loans (continued)

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 has been 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 2012. The instalments due within the next twelve months are shown under current liabilities.

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.

14 Murabaha payables

These represent murabaha facilities obtained from local financial institutions carrying an average effective profit rate of 4% (31 December 2012: 4.5% and 30 September 2012: 4.5%) per annum.

15 Dividends

The Annual General Assembly of the Shareholders held on 18 April 2013 approved the consolidated financial statement of the group for the year ended 31 December 2012. The General Assembly also approved cash dividend of 12 fils (2011: 10 fils) dividend for the year ended 31 December 2012 amounting to KD4,148,812.

16 Share based payments

As at 30 September 2013, the parent company maintained a share-based payment scheme for employee remuneration.

The scheme is part of the remuneration package of the group's senior management. The scheme continues for a five year period under which a maximum of 7,000,000 shares will be granted to the participants over that period. Options under the scheme will vest if certain conditions, as defined in the scheme, are met. It is based on the performance of the scheme participants and the options vests at the end of each fiscal year based on a pre-determined formula. Participants have to be employed until the end of each of the five year vesting period. Upon vesting, each option allows the holder to receive one share at no cost

Notes to the interim condensed consolidated financial information (continued)

17 Segmental information

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

	Building materials and contracting services		Investments		Total	
	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Three months ended:						
Segment revenue	9,776,951	9,016,403	(1,515,460)	(20,173)	8,261,491	8,996,230
Investment loss/(income)	-	-	986,718	(177,550)	986,742	(177,550)
Share of results of associates	-	-	528,742	197,723	528,742	197,723
Sales, per condensed consolidated statement of income					9,776,951	9,016,403
Segment results	1,052,402	1,239,138	(1,515,460)	(20,173)	(463,057)	1,218,965
Unallocated expenses					(124,627)	(199,012)
(Loss)/profit for the period per condensed consolidated statement of income					(587,684)	1,019,953
Depreciation	901,435	707,046	-	-	901,435	707,046
Impairment loss on available for sale investments	-	-	1,519,664	-	1,519,664	-
Nine months ended:						
Segment revenue	31,739,733	30,952,288	(3,872,589)	(76,158)	27,867,144	30,876,130
Investment loss	-	-	2,617,761	(88,387)	2,677,761	(88,387)
Share of results of associates	-	-	1,194,828	164,545	1,194,828	164,545
Sales, per condensed consolidated statement of income					31,739,733	30,952,288
Segment results	4,376,823	5,449,607	(3,872,589)	(76,158)	504,234	5,373,449
Unallocated expenses					(329,189)	(682,093)
Profit for the period per condensed consolidated statement of income					175,045	4,691,356
Depreciation	2,664,218	2,093,684	-	-	2,669,218	2,093,684
Impairment loss on available for sale investments	-	-	(3,519,353)	(391,049)	(3,519,353)	(391,049)
Total assets	46,716,066	45,772,897	59,159,749	65,630,584	105,875,815	111,403,481

Notes to the interim condensed consolidated financial information (continued)

18 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. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD	
Condensed consolidated statement of financial position				
Due from ultimate parent company (included in accounts receivable and other assets)	249,556	173,519	153,992	
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)	5,167,104	4,619,810	3,642,453	
Due to associate (included in accounts payable and other liabilities)	-	335,341	-	
Due to other related companies	-	-	185,823	
	Three months ended		Nine months ended	
	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2012 (Unaudited) KD
Condensed consolidated statement of income				
Interest income (Ultimate parent company)	710	428	1,981	1,171
Management fees (Common Holding)	-	11,683	-	34,796
Purchase of raw materials (Associate)	-	28,110	342,078	216,019
Compensation of key management personnel				
Short term employee benefits	77,457	50,501	171,245	159,971
End of service benefits	11,188	7,903	26,864	26,035
Cost of share based payments	-	-	129,967	117,424
	88,645	58,404	328,076	303,430

19 Commitments and contingent liabilities

	30 Sept. 2013 (Unaudited) KD	31 Dec. 2012 (Audited) KD	30 Sept. 2012 (Unaudited) KD
Letters of guarantee	1,703,723	1,703,723	482,000
Letter of guarantee from parent company	200,000	200,000	200,000
	1,903,723	1,903,723	682,000

Notes to the interim condensed consolidated financial information (continued)

20 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 2012.

21 Summary of financial assets and liabilities by category

The group adopted IFRS13 Fair Value Measurement and consequential amendments to IAS 34 effective from 1 January 2013. In the first year of adoption comparative information need not be presented for the required disclosures. Accordingly the disclosure for the fair value hierarchy is only presented for the 30 September 2013 period end.

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

	30 Sept. 2013 (Unaudited) KD
Cash and bank balances	4,523,070
Fixed deposit	650,000
Accounts receivable and other assets	12,684,044
Investments at fair value through statement of income	3,730,713
Available for sale investments	40,107,310
	61,695,137
Term loans	3,679,634
Accounts payable and other liabilities	10,536,271
Murabaha payables	4,910,332
	19,126,237

Fair value is 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. In the opinion of the group's management the carrying amounts of financial assets and liabilities as at 30 September 2013 approximate their fair values.

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

	30 Sept. 2013 (Unaudited)	
	Carrying amount KD	Fair Value KD
Cash and bank balances	4,523,070	-
Fixed deposit	650,000	-
Accounts receivable and other assets	12,684,044	-
Investments at fair value through statement of income	-	3,730,713
Available for sale investments	3,624,625	36,482,685
	21,481,739	40,213,398
Term loans	3,679,634	-
Accounts payable and other liabilities	10,536,271	-
Murabaha payables	4,910,332	-
	19,126,237	-

Notes to the interim condensed consolidated financial information (continued)

21 Summary of financial assets and liabilities by category (continued)

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- 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 included within Level 1 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).

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

30 September 2013 (Unaudited)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through statement of income</i>					
Managed funds and portfolios	a	-	3,017,143	-	3,017,143
Quoted equity securities	b	713,570	-	-	713,570
<i>Available for sale investments:</i>					
Local quoted securities	b	13,455,512	-	-	13,455,512
Local unquoted securities	c	-	-	7,313,365	7,313,365
Foreign quoted securities	b	2,337,740	-	-	2,337,740
Foreign unquoted securities	c	-	-	13,376,068	13,376,068
Net fair value		16,506,822	3,017,143	20,689,433	40,213,398

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

Measurement at fair value

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

a) Managed funds and portfolios

The underlying investments of managed funds and portfolios primarily comprise of local quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date.

Notes to the interim condensed consolidated financial information (continued)

21 Summary of financial assets and liabilities by category (continued)

b) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

d) Financial liabilities

The group does not have any financial liabilities at fair value.

Level 3 fair value measurements

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

	30 Sept. 2013 (Unaudited) KD
Available for sale investments (unquoted securities):	
Opening balance	24,794,737
Gains or losses recognised in:	
- Consolidated statement of income	(3,788,175)
- Other comprehensive income	130,181
Reclassification level 3	608,820
Purchases	5,796
Sales	(1,061,926)
Closing balance	20,689,433

Gains or losses recognised in the consolidated statement of income (as above) for the period are included in investment and other income and impairment loss on available for sale investments accounts.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in consolidated statement of income, total assets or total liabilities or total equity.