Interim condensed consolidated financial information and review report

National Industries Company – KPSC and Subsidiaries

Kuwait

31 March 2017 (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 – KPSC (Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 31 March 2017 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 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 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 its Executive Regulations, 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 2017 that might have had a material effect on the business or financial position of the Parent Company.

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

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of Parker Randall (Allied Accountants)

Kuwait
14 May 2017

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
Revenue			
Revenue from sales and services		**10,894,721**	11,481,317
Cost of sales and services		**(8,783,885)**	(9,347,670)
Gross profit		**2,110,836**	2,133,647
Other operating income		**109,565**	279,644
Share of results of associates		**(101,514)**	259,625
Investment income	5	**233,266**	69,372
Foreign exchange gain/(loss)		**355**	(4,300)
		2,352,508	2,737,988
Expenses and other charges			
Distribution expenses		**(566,811)**	(607,270)
General administrative and other expenses		**(952,703)**	(985,187)
Finance costs		**(605)**	(541)
		(1,520,119)	(1,592,998)
Profit before contribution to KFAS, NLST and Zakat		**832,389**	1,144,990
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(7,784)**	(10,085)
Provision for National Labour Support Tax (NLST)		**(18,133)**	(33,056)
Provision for Zakat		**(7,253)**	(13,222)
Profit for the period		**799,219**	1,088,627
Attributable to :			
Owners of the parent company		**831,758**	1,064,198
Non-controlling interests		**(32,539)**	24,429
Profit for the period		**799,219**	1,088,627
Basic earnings per share attributable to the owners of the parent company	6	**2.384 (Fils)**	3.060 (Fils)
Diluted earnings per share attributable to the owners of the parent company	6	**2.374 (Fils)**	3.044 (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 profit or loss and other comprehensive income

	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
Profit for the period	799,219	1,088,627
Other comprehensive income/(loss):		
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	582,323	(1,039,713)
- Transferred to interim condensed consolidated statement of profit or loss on sale	313,180	9,914
Exchange differences arising on translation of foreign operations	(42,379)	(16,892)
Total other comprehensive income/(loss)	853,124	(1,046,691)
Total comprehensive income for the period	1,652,343	41,936
Total comprehensive income attributable to:		
Owners of the parent company	1,700,211	35,944
Non-controlling interests	(47,868)	5,992
	1,652,343	41,936

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 financial position

	Notes	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		**27,570,410**	28,006,931	27,104,516
Investment in associates		**5,697,724**	5,656,599	5,464,850
Available for sale investments	7	**36,512,652**	36,405,595	35,633,929
		69,780,786	70,069,125	68,203,295
Current assets				
Inventories and spare parts		**19,352,463**	19,611,392	18,808,598
Investments at fair value through profit or loss		**1,821,584**	1,885,967	1,908,810
Accounts receivable and other assets		**14,554,780**	15,725,835	14,055,826
Fixed deposits	8	**1,502,500**	1,502,500	8,245,000
Cash and bank balances		**7,388,332**	4,117,983	4,458,736
		44,619,659	42,843,677	47,476,970
Total assets		**114,400,445**	112,912,802	115,680,265
Equity and liabilities				
Equity				
Share capital	9	**35,008,747**	34,924,657	34,869,563
Share premium	9	**32,471,633**	32,364,839	32,301,213
Treasury shares	10	**(57,823)**	(57,110)	(36,371)
Legal reserve		**4,737,173**	4,737,173	4,653,899
Voluntary reserve		**2,826,381**	2,826,381	2,743,107
Treasury shares resrve		**24**	-	-
Staff bonus shares reserve		**206,719**	142,183	260,902
Other components of equity	11	**10,357,225**	9,488,772	7,048,968
Retained earnings		**1,596,352**	764,594	8,191,602
Total equity attributable to the owners of the parent company		**87,146,431**	85,191,489	90,032,883
Non-controlling interests		**5,418,567**	5,466,435	5,632,536
Total equity		**92,564,998**	90,657,924	95,665,419
Non-current liabilities				
Provision for land-fill expenses		**773,881**	767,015	748,128
Provision for employees' end of service benefits		**5,154,096**	5,171,107	5,127,847
		5,927,977	5,938,122	5,875,975
Current liabilities				
Murabaha payables		**243,975**	530,450	695,372
Accounts payable and other liabilities		**15,663,495**	15,786,306	13,443,499
		15,907,470	16,316,756	14,138,871
Total liabilities		**21,835,447**	22,254,878	20,014,846
Total equity and liabilities		**114,400,445**	112,912,802	115,680,265

Abdul Aziz Ibrahim Al-Rabia
Chairman

شركة الصناعات الوطنية (ش.م.ك.ع)
National Industries Company (K.P.S.C)

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	Treasury shares resrve 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 2017	34,924,657	32,364,839	(57,110)	4,737,173	2,826,381	-	142,183	9,488,772	764,594	85,191,489	5,466,435	90,657,924
Purchase of treasury shares	-	-	(1,686)	-	-	-	-	-	-	(1,686)	-	(1,686)
Sale of treasury shares	-	-	973	-	-	-	-	-	-	973	-	973
Treasury shares reserve	-	-	-	-	-	24	-	-	-	24	-	24
Cost of shares based payments (note 9)	-	-	-	-	-	-	165,518	-	-	165,518	-	165,518
Issue of staff bonus shares (note 9)	84,090	106,794	-	-	-	-	(100,982)	-	-	89,902	-	89,902
Transactions with shareholders	84,090	106,794	(713)	-	-	24	64,536	-	-	254,731	-	254,731
Profit for the period	-	-	-	-	-	-	-	-	831,758	831,758	(32,539)	799,219
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	868,453	-	868,453	(15,329)	853,124
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	868,453	831,758	1,700,211	(47,868)	1,652,343
Balance at 31 March 2017	35,008,747	32,471,633	(57,823)	4,737,173	2,826,381	24	206,719	10,357,225	1,596,352	87,146,431	5,418,567	92,564,998

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 (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 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

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

	Three months ended 31 March 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	799,219	1,088,627
Adjustments:		
Depreciation of property, plant and equipment	886,727	851,605
Loss on write off of property, plant and equipment	13,412	12,000
Share of results of associates	101,514	(259,625)
Income/(loss) on sale of available for sale investments	(108,961)	10,330
Dividend income from available for sale investments	(134,862)	-
Income from short term murabaha investments	(53,932)	(72,686)
Share based payment	165,518	185,417
Interest income	(122)	(1,392)
Finance costs	605	541
Foreign exchange gain on non-operating assets and liabilities	58,026	(27,270)
Provision for land-fill expenses	6,866	6,558
Provision for staff indemnity	447,254	432,374
	2,181,264	2,226,479
Changes in operating assets and liabilities:		
Inventories and spare parts	258,929	(133,471)
Investments at fair value through statement of profit or loss	64,383	52,716
Accounts receivable and other assets	1,171,055	(1,157,735)
Accounts payable and other liabilities	(122,811)	1,399,704
Cash from operations	3,552,820	2,387,693
Staff indemnity paid	(464,265)	(205,305)
Net cash from operating activities	3,088,555	2,182,388
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(459,460)	(929,339)
Proceeds from sale of available for sale investments	894,463	298,691
Dividend income received from available for sale investments	134,868	-
Fixed deposit	-	(1,020,000)
Interest income received	122	1,392
Income received from murabaha investments	53,932	72,686
Additions to investment in associate	(154,362)	-
Net cash from/(used in) investing activities	469,563	(1,576,570)
FINANCING ACTIVITIES		
Purchase of treasury shares	(1,686)	(2,135)
Sale of treasury shares	997	-
Proceeds from murabaha payables	-	59,399
Repayment of murabaha payables	(286,475)	-
Finance costs paid	(605)	(541)
Net cash (used in)/from financing activities	(287,769)	56,723
Net increase in cash and cash equivalents	3,270,349	662,541
Cash and cash equivalents at beginning of the period	4,117,983	3,796,195
Cash and cash equivalents at end of the period	7,388,332	4,458,736

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 – 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 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 14 May 2017.

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 consolidated condensed financial information are consistent with those used in the preparation of the most recent annual consolidated financial statements of the group for the year ended 31 December 2016 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 three-month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2016.

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 2017 which have been adopted by the group but did not have any significant impact on the financial position or the results for the period. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

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 pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated 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 interim condensed consolidated financial information.

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)

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 2 Share-based Payment- Amendments	1 January 2018
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
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018

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 a 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.

IFRS 2 Share-based Payment- Amendments

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2
- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature); and
- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 Financial Instruments

The IASB published 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.

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)

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 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 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 an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to 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

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 15 Revenue from Contracts with Customers (continued)

- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

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.

Notes to the interim condensed consolidated financial information (continued)

4 Judgement and estimates (continued)

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 2016.

5 Investment income

	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
Dividend income from available for sale investments	134,862	-
Income/(loss) on sale of available for sale Investments	108,961	(10,330)
(Loss)/income from investments at fair value through profit or loss	(64,383)	5,624
Income from short term murabaha	53,932	72,686
Interest and other income	(106)	1,392
	233,266	69,372

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 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	831,758	1,064,198
Weighted average number of shares outstanding during the period to be used for basic earnings pershare (excluding treasury shares)	348,959,134	347,794,570
Shares to be issued for no consideration under share based payments	1,455,069	1,764,135
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	350,414,203	349,558,705
Basic earnings per share attributable to the owners of the parent company	2.384 Fils	3.060 Fils
Diluted earnings per share attributable to the owners of the parent company	2.374 Fils	3.044 Fils

Notes to the interim condensed consolidated financial information (continued)

7 Available for sale investments

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Local quoted securities	**3,997,572**	3,698,440	7,874,102
Local unquoted securities	**11,754,172**	12,185,982	5,959,897
Foreign quoted securities	**1,782,818**	1,656,190	1,559,108
Foreign unquoted securities	**13,995,736**	13,879,688	15,246,701
Murabaha investment	**4,982,354**	4,985,295	4,994,121
	36,512,652	36,405,595	35,633,929

8 Fixed deposits

Fixed deposits carry average interest rate of 1.6% (31 December 2016: 1.6% and 31 March 2016: 1.5%) per annum and mature within one year of the financial position date.

9 Share capital and share premium

	31 March 2017 (Unaudited)	31 Dec. 2016 (Audited)	31 March 2016 (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	**35,008,747**	34,924,657	34,869,563

During the period, the parent company issued 840,902 shares (31 December 2016: 1,311,114 shares and 31 March 2016: 760,185shares) 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 2017 (Unaudited)	31 Dec. 2016 (Audited)	31 March 2016 (Unaudited)
Number of shares	**287,900**	284,930	149,881
Percentage of issued shares	**0.08%**	0.08%	0.04%
Cost of treasury shares (KD)	**57,823**	57,110	36,371
Market value (KD)	**62,186**	59,835	33,873

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 2017 (audited)	**9,230,581**	**258,191**	**9,488,772**
Exchange differences arising on translation of foreign operations	-	(27,050)	(27,050)
Available for sale investments:			
- Net change in fair value arising during the period	582,323	-	582,323
- Transferred to interim condensed consolidated statement of profit or loss	313,180	-	313,180
Total other comprehensive income/(loss) for the period	**895,503**	**(27,050)**	**868,453**
Balance at 31 March 2017 (Unaudited)	**10,126,084**	**231,141**	**10,357,225**

	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 statement 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

12 Annual General Assembly

The Annual General Assembly of the Parent Company for the year ended 31 December 2016 has not been held yet. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have not been approved by the shareholders of the Parent Company. The interim condensed consolidated financial information for the three-month period ended 31 March 2017 does not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2016.

Subject to the requisite consent of the relevant authorities and approval of the General Assembly, the directors propose for the year ended 31 December 2016 a cash dividend of 10 Fils (2015: 20 Fils) per share of paid up share capital to be distributed to the shareholders of record as of the date of the general assembly.

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 2017 (Unaudited) KD	31 March 2016 (Unaudited) KD	**31 March 2017 (Unaudited) KD**	31 March 2016 (Unaudited) KD	**31 March 2017 (Unaudited) KD**	31 March 2016 (Unaudited) KD
Three months ended:						
Segment revenue	**10,894,721**	11,481,317	**233,266**	69,372	**11,127,987**	11,550,689
Share of results of associates	-	-	**(101,514)**	259,625	**(101,514)**	259,625
					11,026,473	11,810,314
Segment results	**700,887**	820,834	**131,752**	328,997	**832,639**	1,149,831
Unallocated expenses					**(33,420)**	(61,204)
Profit for the period per interim condensed consolidated statement of profit or loss					**799,219**	1,088,627
Depreciation	**921,478**	851,605	-	-	**921,478**	851,605
Total assets	**60,285,241**	59,304,001	**54,115,204**	56,376,264	**114,400,445**	115,680,265

Notes to the interim condensed consolidated financial information (continued)

14 Related party balances and transactions

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

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

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Balances included in interim condensed consolidated statement of financial position			
Due from ultimate parent company (included in accounts receivable and other assets)	**520,376**	1,508,179	434,546
Due from other related companies (included in accounts receivable and other assets)	**672,036**	574,403	230,390
Due from associate (included in accounts receivable and other assets)	**9,023**	9,023	9,023
Due to other related companies (non-controlling interests)	**445,181**	446,994	440,951

	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
Transactions included in interim condensed consolidated statement of profit or loss		
Interest income	**1,595**	1,383
Compensation of key management personnel		
Short term employee benefits	**56,800**	66,855
End of service benefits	**13,516**	35,164
Cost of share based payments	**102,365**	105,029
	172,681	207,048

15 Commitments and contingent liabilities

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Letters of guarantee	2,454,159	2,454,159	4,637,523
Letters of guarantee from ultimate parent company	200,000	200,000	200,000
	2,654,159	2,654,159	4,837,523

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 2016.

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 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and bank balances	7,388,332	4,117,983	4,458,736
Fixed deposits	1,502,500	1,502,500	8,245,000
Accounts receivable and other assets	14,554,780	15,725,835	14,055,826
Investments at fair value through profit or loss at fair value:			
Investments at fair value through profit or loss	1,821,584	1,885,967	1,908,810
Available for sale investments:			
Available for sale investments at fair value	30,899,959	30,789,961	30,009,469
Available for sale investments at cost	630,339	630,339	630,339
Murabaha investment	4,982,354	4,985,295	4,994,121
	61,779,848	59,637,880	64,302,301

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 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Financial liabilities:			
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	**15,663,495**	15,786,306	13,443,499
Murabaha payables	**243,975**	530,450	695,372
	15,907,470	16,316,756	14,138,871

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

31 March 2017 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Quoted equity securities	**374,624**	**-**	-	**374,624**
Managed funds and portfolios	-	**1,446,960**	-	**1,446,960**
Available for sale investments:				
Local quoted securities	**3,997,572**	-	-	**3,997,572**
Local unquoted securities	-	-	**11,754,172**	**11,754,172**
Foreign quoted securities	**1,782,818**	-	-	**1,782,818**
Foreign unquoted securities	-	**9,247,680**	**4,117,717**	**13,365,397**
	6,155,014	**10,694,640**	**15,871,889**	**32,721,543**

31 December 2016 (Audited)

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Financial assets designated at fair value through profit or loss					
Quoted securities	a	351,570	-	-	351,570
Managed funds and portfolios	b	-	1,534,397	-	1,534,397
Available for sale investments					
Local quoted securities	b	3,698,440	-	-	3,698,440
Local unquoted securities	c	-	-	12,185,982	12,185,982
Foreign quoted securities	b	1,656,190	-	-	1,656,190
Foreign unquoted securities	c	-	9,096,880	4,152,469	13,249,349
		5,706,200	10,631,277	16,338,451	32,675,928

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 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

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 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Opening balance	16,338,451	20,902,404	20,902,404
Gains or losses recognised in:			
Transfer from level 1	-	6,113,158	(10,330)
Transfer to level 2	-	(10,463,893)	(39,896)
Gains or losses recognised in:			
- Consolidated statement of profit or loss	-	(9,913)	-
- Other comprehensive income	5,759	82,945	-
Sales	(472,321)	(286,250)	(275,920)
Closing balance	15,871,889	16,338,451	20,576,258

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 profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.