Interim condensed consolidated financial information and review report

National Industries Group Holding – SAK and subsidiaries

Kuwait

31 March 2013 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Group Holding – SAK
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated financial position of National Industries Group Holding (A Kuwaiti Shareholding Company) and its subsidiaries as of 31 March 2013 and the related interim condensed consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of 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 matters

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 of association of the Company, as amended, have occurred during the three-month period ended 31 March 2013 that might have had a material effect on the business or financial position of the Company.

Abdullatif M. Al-Aiban (CPA)
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Kuwait
15 May 2013

Interim condensed consolidated statement of income

	Note	Three months ended 31 March 2013 (Unaudited) KD '000	Three months ended 31 March 2012 (Unaudited) KD '000 (restated)
Continuing operations			
Sales		25,130	26,185
Cost of sales		(20,042)	(19,899)
Gross profit		5,088	6,286
Income from investments	3	12,127	17,873
Share of results of associates		5,230	3,311
Interest and other income	4	1,716	1,528
Distribution costs		(1,063)	(1,003)
General, administrative and other expenses		(5,215)	(5,108)
(Loss)/gain on foreign currency exchange		(1,291)	366
		16,592	23,253
Finance costs		(7,976)	(9,252)
Impairment in value of available for sale investments	8	(2,406)	(2,798)
Profit before taxation, NLST and ZAKAT		6,210	11,203
Taxation of foreign subsidiaries		(19)	-
Provision for National Labour Support Tax (NLST)		-	(98)
Provision for Zakat		-	(36)
Profit from continuing operations		6,191	11,069
Discontinued operations			
Loss for the period from discontinued operations	16	-	(159)
Profit for the period		6,191	10,910
Attributable to :			
Owners of the parent company		4,732	9,421
Non-controlling interests		1,459	1,489
		6,191	10,910
Basic and diluted earnings per share attributable to the owners of the parent			
- From continuing operations		4 Fils	7 Fils
- From discontinued operations		-	-
Total	5	4 Fils	7 Fils

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2013 (Unaudited) KD '000	Three months ended 31 March 2012 (Unaudited) KD '000 (restated)
Profit for the period	6,191	10,910
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	288	(1,684)
Available for sale investments:		
- Net changes in fair value arising during the period	11,853	39,596
- Transferred to consolidated statement of income on disposals	(6,164)	(2,805)
- Transferred to consolidated statement of income on impairment	2,406	2,798
Share of other comprehensive income of associates		
- Changes in fair value	(852)	2,336
- Exchange differences	118	(417)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	7,649	39,824
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial gains	567	563
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	567	563
Total other comprehensive income for the period	8,216	40,387
Total comprehensive income for the period	14,407	51,297
Total comprehensive income attributable to:		
Owners of the parent	10,252	41,669
Non-controlling interests	4,155	9,628
	14,407	51,297

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March 2013 (Unaudited) KD '000	31 Dec. 2012 (Audited) KD '000	31 March 2012 (Unaudited) KD '000 (restated)
Assets				
Non-current assets				
Goodwill		**6,769**	7,083	6,863
Property, plant and equipment		**63,901**	63,994	65,157
Investment in associates	6	**292,286**	287,497	287,421
Investment properties	7	**25,412**	25,259	21,437
Available for sale investments	8	**705,496**	698,095	774,143
Accounts receivable		**1,796**	1,969	7,873
Total non-current assets		**1,095,660**	1,083,897	1,162,894
Current assets				
Inventories		**25,533**	25,644	23,757
Available for sale investments	8	**76,411**	79,847	82,306
Accounts receivable and other assets		**63,110**	62,176	70,989
Murabaha and wakala investments		**8,248**	11,293	6,763
Investments at fair value through profit or loss	9	**60,524**	61,992	76,676
Short-term deposits	12	**3,876**	6,129	81,192
Bank balances and cash	12	**39,773**	57,072	33,898
Total current assets		**277,475**	304,153	375,581
Total assets		**1,373,135**	1,388,050	1,538,475
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	10	**129,510**	129,510	129,510
Treasury shares		**(30,375)**	(30,375)	(30,375)
Share Premium	10	**122,962**	122,962	151,719
Cumulative changes in fair value		**144,804**	140,199	172,830
Other components of equity	11	**17,269**	16,921	15,640
Retained earning/(accumulated losses)		**8,210**	2,911	(26,152)
Equity attributable to owners of the parent		**392,380**	382,128	413,172
Non-controlling interests		**145,822**	141,790	153,757
Total equity		**538,202**	523,918	566,929
Non-current liabilities				
Long-term borrowings		**478,445**	523,935	397,030
Leasing creditors		**123**	152	267
Provisions		**14,386**	15,139	13,891
Total non-current liabilities		**492,954**	539,226	411,188
Current liabilities				
Accounts payable and other liabilities		**51,297**	50,686	50,688
Trust certificates issued – current portion		**-**	-	132,169
Short-term borrowings		**273,212**	256,323	356,093
Due to banks	12	**17,470**	17,897	21,408
Total current liabilities		**341,979**	324,906	560,358
Total liabilities		**834,933**	864,132	971,546
Total equity and liabilities		**1,373,135**	1,388,050	1,538,475

Sa'ad Mohammed Al-Sa'ad
Chairman & Managing Director

The notes set out on pages 9 to 24 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								
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other Components of equity (Note 11) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2013	129,510	(30,375)	122,962	140,199	16,921	2,911	382,128	141,790	523,918
Transactions with owners									
Redemption of units of non-controlling interests of subsidiary	-	-	-	-	-	-	-	(315)	(315)
Net change in non-controlling interests	-	-	-	-	-	-	-	192	192
Total transactions with owners	-	-	-	-	-	-	-	(123)	(123)
Comprehensive income									
Profit for the period	-	-	-	-	-	4,732	4,732	1,459	6,191
Other comprehensive income for the period (actuarial gains and others)	-	-	-	4,605	348	567	5,520	2,696	8,216
Total comprehensive income for the period	-	-	-	4,605	348	5,299	10,252	4,155	14,407
Balance at 31 March 2013	**129,510**	**(30,375)**	**122,962**	**144,804**	**17,269**	**8,210**	**392,380**	**145,822**	**538,202**

The notes set out on pages 9 to 24 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								
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other Components of equity (Note 11) KD '000	Accumulated losses KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2012 - as restated	129,510	(30,375)	151,719	139,662	17,123	(36,136)	371,503	144,686	516,189
Transactions with owners									
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	(182)	(182)
Net change in non-controlling interests	-	-	-	-	-	-	-	(375)	(375)
Total transactions with owners	-	-	-	-	-	-	-	(557)	(557)
Comprehensive income									
Profit for the period	-	-	-	-	-	9,421	9,421	1,489	10,910
Other comprehensive income for the period (actuarial gains and others)	-	-	-	33,168	(1,483)	563	32,248	8,139	40,387
Total comprehensive income for the period	-	-	-	33,168	(1,483)	9,984	41,669	9,628	51,297
Balance at 31 March 2012	129,510	(30,375)	151,719	172,830	15,640	(26,152)	413,172	153,757	566,929

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2013 (Unaudited) KD '000	Three months ended 31 March 2012 (Unaudited) KD '000 (restated)
OPERATING ACTIVITIES		
Profit before taxation, NSLT and zakat	8,210	11,203
Adjustments for :		
Depreciation of property, plant and equipment	1,674	1,479
Share of results of associates	(5,230)	(3,311)
Dividend income from available for sale investments	(5,304)	(9,946)
Unrealised gain on interest rate SWAPs	-	(16)
Impairment in value of available for sale investments	2,406	2,798
Profit on sale of available for sale investments	(6,545)	(4,749)
Effect on discounts on account receivables	(118)	-
Net provisions released	(753)	(637)
Finance costs	7,976	9,252
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(142)	(615)
	174	5,458
Changes in operating assets and liabilities:		
Inventories	111	(155)
Accounts receivable and other assets	(646)	(2,792)
Investments at fair value through profit or loss	1,468	5,140
Accounts payable and other liabilities	1,264	(8,605)
Cash from/(used in) operations	2,371	(954)
Cash used in discontinued operations	-	(146)
Taxation paid	(58)	-
Zakat paid	-	(83)
Net cash from/(used in) operating activities	**2,313**	**(1,183)**

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Three months ended 31 March 2013 (Unaudited) KD '000	Three months ended 31 March 2012 (Unaudited) KD '000 (restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,389)	(1,242)
Additions to investment in associates		(338)	-
Purchase of investment properties		(153)	(5,153)
Purchase of available for sale investments		(6,694)	(2,173)
Proceeds from sale of available for sale investments		15,348	13,313
Decrease in wakala investments maturing after three months		3,045	650
Decrease in block balances		5,111	-
Dividend income received from available for sale investments		5,304	9,946
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		142	615
Net cash from investing activities		20,376	15,956
FINANCING ACTIVITIES			
Finance lease movement		(36)	16
Net increase/(decrease) in long-term borrowings		1,563	(499)
Net decrease in short-term borrowings and trust certificates		(30,164)	(2,662)
Dividend paid to owners of the parent		(14)	(94)
Finance costs paid		(7,897)	(9,434)
Decrease in non-controlling interests		(123)	(557)
Net cash used in financing activities		(36,671)	(13,230)
Net (decrease)/increase in cash and cash equivalents		(13,982)	1,543
Translation difference		(32)	30
		(14,014)	1,573
Cash and cash equivalents at beginning of the period		37,608	91,994
Cash and cash equivalents at end of the period	12	23,594	93,567

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Notes of the interim condensed consolidated financial information

1 Incorporation and activities

National Industries Group Holding – SAK ('the parent company') was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a 'Holding Company'. The parent company along with its subsidiaries are jointly referred to as "the Group". The parent company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the parent company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trade marks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

In accordance with Law No. 97 of 2013 amending certain articles of the Amiri Decree Law No. 25 of 2012 regarding the issuance of the Companies Law, all existing companies are required to comply with the new companies Law in accordance with the rules and regulations stipulated in the Executive By-Laws due to be issued by the Minister of Commerce and Industry within six months from the date of issuance of the Law No. 97 in the official gazette on 27 March 2013. Further, all other supervisory bodies are required to issue their respective regulations within this time frame.

The address of the parent company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the parent company approved this interim condensed consolidated financial information for issue on 15 May 2013.

2 Basis of preparation and significant accounting policies

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

The 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 the parent company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

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.

Results for the three months period ended 31 March 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 annual consolidated financial statements and its related disclosures for the year ended 31 December 2012.

Changes to accounting policies

Adoption of new IASB Standards and amendments during the period

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and amendments effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

Standard	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements	1 January 2013
IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
Annual Improvements 2009-2011	1 January 2013

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

IAS 1 Presentation of Financial Statements

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

a) Potentially reclassifiable to consolidated statement of income in a subsequent period, and

b) That will not be reclassified to consolidated statement of income subsequently.

The amendments to IAS 1 changed the current presentation of the consolidated statement of comprehensive income of the Group; however the amendment affected presentation only and had no impact on the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. It revises the definition of control together with accompanying guidance to identify an interest in a subsidiary. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same. IFRS 10 did not change the classification (as subsidiaries or otherwise) of any of the Group's existing investees.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. As a consequence of the new IFRS 11, IAS 28 brings investments in joint ventures into its scope, however, the equity accounting methodology under IAS 28 remains unchanged.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with 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 such disclosures.

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A (j), thereby affecting the interim condensed consolidated financial statements period. The Group has applied this requirement for the first time and has provided these disclosures in Note 15. The provisions in IAS 34 and transition provisions of IFRS 13 do not require comparative information for periods before initial application of IFRS 13. Consequentially, the Group does not provide the comparative information.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

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. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

Annual Improvements 2009-2011 (the Annual Improvements)

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:

Clarification of the requirements for opening statement of financial position (amendments to IAS 1):

- clarifies that the appropriate date for the opening statement of financial position ("third balance sheet") 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.

  Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

Clarification of the requirements for comparative information provided beyond minimum requirements (amendments to IAS 1):

- 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.

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

Annual Improvements 2009-2011 (the Annual Improvements) (continued)

Tax effect of distribution to holders of equity instruments (Amendments to IAS 32):

- addresses a perceived inconsistency between IAS 12 'Income Taxes' (IAS 12) and IAS 32 'Financial Instruments: Presentation' (IAS 32) with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
- clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

The amendment did not have an impact on the interim condensed consolidated financial information for the Group, as there is no tax consequences attached to cash or non-cash distribution.

Segment information for total assets and liabilities (amendments to IAS 34):

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed in interim financial information 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 Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. See Note 13.

IASB Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

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

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation and changes to accounting policies (continued)

IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

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

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

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 consolidated financial statements from these Amendments.

3 Income from investments

	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2012 (Unaudited)
	KD '000	KD '000
Dividend income:		
- From investments at fair value through profit or loss	13	22
- From available for sale investments	5,304	9,946
Profit on sale of available for sale investments	6,545	4,749
Realised (loss)/gain on investments at fair value through profit or loss	(40)	644
Unrealised gain on investments at fair value through profit or loss	305	2,512
	12,127	17,873

Notes of the interim condensed consolidated financial information (continued)

4 Interest and other income

	Three months ended 31 March 2013 (Unaudited) KD '000	Three months ended 31 March 2012 (Unaudited) KD '000
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	142	615
Income from financing of future trade by customers	115	149
Net income/(loss) from hotel business of a foreign subsidiary	191	(270)
Effect of unwinding of discount on receivables	118	-
Rental income	452	307
Management and placement fees and other income	698	727
	1,716	1,628

5 Basic and diluted earnings per share attributable to the owners of the parent

Earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to the owners of the parent company by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2012 (Unaudited) (Restated)
Profit/(loss) for the year attributable to the owners of the parent (KD '000)		
- from continuing operations	4,732	9,580
- from discontinued operations	-	(159)
Total	4,732	9,421
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,261,959,044	1,261,959,044
Basic and diluted earnings per share		
- from continuing operations	4 Fils	7 Fils
- from discontinued operations	-	-
Total	4 Fils	7 Fils

Notes of the interim condensed consolidated financial information (continued)

6 Investment in associates

The movement in associates during the period/year is as follows:

	31 March 2013 (Unaudited) KD '000	31 Dec. 2012 (Audited) KD '000	31 March 2012 (Unaudited) KD '000
Balance at 1 January	287,497	283,126	283,126
Additions during the period/year	338	6,690	-
Capital reduction and redemption of units by associates	-	(4,078)	-
Share of results	5,230	16,647	3,311
Change in other comprehensive income	(734)	1,845	1,919
Dividend received	-	(7,779)	-
Dilution loss of an associate	-	(253)	-
Disposal of associates	-	(7,003)	-
Impairment in value	-	(584)	-
Reclassification of remaining investment to available for sale investments on disposal	-	(1,297)	-
Other adjustments	(15)	183	(935)
Balance at the end of the period/year	292,286	287,497	287,421

A major portion of an associate with a carrying value of KD86,209 thousand (31 December 2012: KD83,941 thousand and 31 March 2012: KD Nil) have been subject to an exchangeable options to the lenders of the group.

7 Investment properties

Investment properties amounting to KD13,700 thousand (31 December 2012: KD13,700 thousand and 31 March 2012: KD Nil) are secured against term loans.

During the year 2011, the Group disposed its investment property located in Saudi Arabia for a consideration of KD26,535 thousand and the total cash received on this sale up to 31 Dec. 2012 amounted to KD 9,914 thousand. Out of the balance of KD 16,621 thousand (which was due in two installments in November 2012 and November 2013), an amount of KD 3,603 thousand was received in cash during the period and the buyer agreed to partially settle the balance due as of November 2012 by transferring another real estate property situated in Saudi Arabia which has been valued at KD4,661 thousand. The remaining balance due on sale of investment property is included in account receivables and other assets and is due to be settled in November 2013.

The legal formalities with regard to the transfer of the real estate property to the Group are in progress.

8 Available for sale investments

	31 March 2013 (Unaudited) KD '000	31 Dec. 2012 (Audited) KD '000	31 March 2012 (Unaudited) KD '000
Non Current			
Managed funds	187,927	189,703	188,878
Unquoted equity participations	202,882	203,161	189,052
Quoted shares	314,687	305,231	396,213
	705,496	698,095	774,143
Current			
Quoted shares	76,411	79,847	82,306
	781,907	777,942	856,449

Notes of the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

a) The quoted shares classified as current represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.

b) At the end of the period, the group recognised a total impairment loss of KD2,406 thousand (31 March 2012: KD2,798 thousand) for certain quoted and unquoted shares.

c) Quoted shares with a fair value of KD61,762 thousand (31 December 2012: KD61,476 thousand and 31 March 2012: KD46,496 thousand) are secured against term loans.

9 Investments at fair value through profit or loss

	31 March 2013 (Unaudited) KD '000	31 Dec. 2012 (Audited) KD '000	31 March 2012 (Unaudited) KD '000
Held for trading :			
Quoted shares and debt instruments	31,975	32,381	33,103
Designated on initial recognition :			
Local funds	13,881	14,426	17,076
International managed portfolios and funds	14,668	15,185	26,497
	28,549	29,611	43,573
	60,524	61,992	76,676

Quoted shares, held by local subsidiaries, with a fair value of KD15,232 thousand (31 December 2012: KD15,433 thousand and 31 March 2012: KD16,808 thousand) are secured against term loans.

10 Share capital and share premium

a) As of 31 March 2013, authorized issued and fully paid share capital in cash of the parent company comprised of 1,295,098,167 shares of 100 Fils each (31 December 2012 and 31 March 2012: 1,295,098,167 shares).

b) The shareholders of the parent company approved at the shareholders Annual General Assembly held on 24 May 2012, to offset the accumulated losses, amounting to KD30,524 thousand against general reserve (KD856 thousand), statuary reserve (KD911 thousand) and then share premium (KD28,757 thousand).

c) Share premium is not available for distribution.

Notes of the interim condensed consolidated financial information (continued)

11 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2013	1,232	507	18,452	(3,270)	16,921
Other comprehensive income:					
Currency translation differences	-	-	-	348	348
Balances at 31 March 2013	**1,232**	**507**	**18,452**	**2,922**	**17,269**
Balances at 1 January 2012 - as restated	911	856	18,452	(3,096)	17,123
Other comprehensive income:					
Currency translation differences	-	-	-	(1,483)	(1,483)
Balances at 31 March 2012	**911**	**856**	**18,452**	**(4,579)**	**15,640**

12 Cash and cash equivalents

	31 March 2013 (Unaudited) KD '000	31 Dec. 2012 (Audited) KD '000	31 March 2012 (Unaudited) KD '000
Short-term deposits	3,876	6,129	81,192
Bank balances and cash	39,773	57,072	33,898
Due to banks	(17,470)	(17,897)	(21,408)
	26,179	45,304	93,682
Less: Blocked balances	(2,585)	(7,696)	(115)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	23,594	37,608	93,567

Notes of the interim condensed consolidated financial information (continued)

13 Segmental analysis

The group's format for reporting segment information is business segments; which conforms to the internal reporting presented to management:

	Investment		Building materials		Specialist engineering		Total	
	31 March 2013 KD '000	31 March 2012 KD '000	31 March 2013 KD '000	31 March 2012 KD '000	31 March 2013 KD '000	31 March 2012 KD '000	31 March 2013 KD '000	31 March 2012 (Restated) KD '000
Segment revenue	19,073	22,712	10,751	10,688	14,379	15,497	44,203	48,897
Less:								
Income from investments							(12,127)	(17,873)
Share of results of associates							(5,230)	(3,311)
Interest and other income							(1,716)	(1,528)
Sales, per the interim condensed consolidated statement of income							25,130	26,185
Segment profit	13,316	16,410	1,943	2,492	218	1,187	15,477	20,089
Less:								
Finance costs							(7,976)	(9,252)
Other unallocated (expenses)/income							(1,291)	366
Profit for the period before taxation, NLST and Zakat as per the interim condensed consolidated statement of income							6,210	11,203
Segment assets	1,246,643	1,416,371	56,157	53,381	70,335	68,723	1,373,135	1,538,475
Segment liabilities	(29,402)	(26,247)	(15,245)	(14,681)	(21,159)	(23,918)	(65,806)	(64,846)
Segment net asset	1,217,241	1,390,124	40,912	38,700	49,176	44,805	1,307,329	1,473,629
Trust certificates issued							-	(132,169)
Borrowings and due to banks							(769,127)	(774,531)
Total equity per interim condensed consolidated statement of financial position							538,202	566,929

Notes of the interim condensed consolidated financial information (continued)

14 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group 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:

	31 March 2013 (Unaudited) KD '000	31 Dec. 2012 (Audited) KD '000	31 March 2012 (Unaudited) KD '000
Balances included in interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	**4,875**	4,708	3,518
- Due from other related parties	**1,113**	1,144	19
- Due from key management personnel	**233**	233	231
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	**9,593**	9,667	4,235
- Due to other related parties	**1,661**	448	-
Long term borrowings – murabaha payable to an associate	**15,086**	15,098	-

	Three months ended 31 March 2013 (Unaudited) KD '000	Three months ended 31 March 2012 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of income		
Purchase of raw materials – from associates	**1,400**	1,439
Finance cost charged by an associate	**244**	-
Management and placement fees earned from related parties	**19**	93
Compensation of key management personnel of the group		
Short term employee benefits	**894**	915
End of service benefits	**26**	90
	920	1,005

15 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, available for sale investments, murabaha and wakala investments, investment at fair value through profit or loss, short term deposits and bank balances and cash) and financial liabilities (due to banks, short term and long term borrowings, trust certificates issued, leasing creditors and accounts payable and other liabilities).

Except for certain available for sale investments which are carried at cost (KD79,880 thousand), the carrying amounts of financial assets and liabilities as at 31 March 2013, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

15 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

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

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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: 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 statement of financial position are grouped into the fair value hierarchy as follows;

At 31 March 2013

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	9,801	70,021	79,822
Other managed portfolio	a	-	-	86,887	86,887
-Unquoted equity participations	b	-	-	144,220	144,220
-Quoted shares	c	391,098	-	-	391,098
Investment at fair value through profit or loss					
-Quoted shares	c	29,423	-	-	29,423
- Quoted debt instruments	c	2,552	-	-	2,552
-Local funds	d	-	13,881	-	13,881
-International managed portfolios and funds	e	-	-	14,668	14,668
Total assets		423,073	23,682	315,796	762,551

Fair value measurements

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

	31 March 2013 KD'000
Opening balance	319,317
Net change in fair value recognised in other comprehensive income	(2,037)
Impairment recognised in profit or loss	(1,585)
Net change in fair value recognised in profit or loss	615
Net disposals during the year	(514)
Closing balance	315,796

Notes of the interim condensed consolidated financial information (continued)

15 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value (continued)

Fair value measurements (continued)
Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Managed funds
Private equity funds
The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios
The underlying investments of other managed portfolios represent foreign quoted and unquoted securities managed by specialized portfolio managers. They are valued based on periodic reports received from the portfolio managers.

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

c) Quoted shares & debt instruments
Quoted shares and debt instruments represent all listed equity securities and debt instruments which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

d) Local funds
The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

e) International managed portfolios and funds
The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on fund managers' report.

Notes of the interim condensed consolidated financial information (continued)

16 Discontinued operations

The Group's discontinued operations comprise of operations of two of its subsidiaries (George Wilson Industrial Limited disposed in September 2012 and BI Composites Limited put into administration in November 2012) and the operating losses of those two subsidiaries are summarised below:

	Three months ended 31 March 2012 KD '000 (Restated)
Sales	1,240
Cost of sales	(1,217)
Gross profit	23
Distribution costs	(57)
General, administrative and other expenses	(112)
	(146)
Finance costs	(13)
Loss from discontinued operations before and after tax	**(159)**

17 Annual general assembly

The general assembly of the shareholders held on 5 May 2013 approved the consolidated financial statements for the year ended 31 December 2012 and the Director's proposal not to distribute any dividends for the year then ended.

18 Contingent liabilities

At 31 March 2013, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD11,770 thousand (31 December 2012: KD11,858 thousand and 31 March 2012: KD13,734 thousand).

19 Fiduciary assets

One of the subsidiaries of the group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 31 March 2013 amounted to KD28,684 thousand (31 December 2012: KD26,996 thousand and 31 March 2012: KD41,334 thousand) of which assets managed on behalf of related parties amounted to KD4,588 thousand (31 December 2012: KD8,444 thousand and 31 March 2012: KD9,565 thousand).

20 Capital commitments

At the reporting date the group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling to KD26,656 thousand (31 December 2012: KD28,219 thousand and 31 March 2012: KD27,071 thousand).

Notes of the interim condensed consolidated financial information (continued)

21 Comparative information

The comparative interim condensed consolidated statement of income has been re-presented as if an operation discontinued during the previous year has been discontinued from the start of the comparative year (refer note 16).

The balances which have been restated in the interim condensed consolidated financial information for the period ended 31 March 2012, due to the early adoption of IAS 19 during the year ended 31 December 2012 are as follows:

	31 March 2012 KD'000 (Previously reported)	31 March 2012 KD'000 (Restated)	Net impact on comprehensive income KD'000
Interim condensed consolidated statement of comprehensive income			
Profit for the period	10,910	10,910	-
Defined benefit plan – actuarial gains	-	563	563
Exchange differences	(1,738)	(1,684)	54
			617

	31 March 2012 KD'000 (Previously reported)	31 March 2012 KD'000 (Restated)
Interim condensed consolidated statement of financial position		
Provisions	8,974	13,891
Goodwill	6,749	6,863
Accumulated losses	(21,103)	(26,152)
Other components of equity – foreign currency translation reserve	(4,825)	(4,579)

In addition certain other comparative figures has been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.