شـركـة اسـمـنـت الـكـويـت
KUWAIT CEMENT COMPANY

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

Interim condensed consolidated financial information (unaudited) and the review report for the three months ended 31 March 2013

شركة اسمنت الكويت
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Kuwait Cement Company K.P.S.C.
State of Kuwait

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Cement Company K.P.S.C. ("the Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2013, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No. (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 the 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 other Legal and Regulatory Requirement

Further, based on our review, the interim condensed consolidated financial information are in agreement with the books of the Company. To the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, or of the Company's Articles of Association have occurred during the period ended 31 March 2013 that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader A. Al-Wazzan
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Kuwait: 13 May 2013

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شـركـة اسـمـنـت الـكـويـت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of financial position
As at 31 March 2013
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Note	31 March 2013	31 December 2012 (audited)	31 March 2012
Assets				
Non-current assets				
Property, plant and equipment	3	142,874,637	136,284,797	119,184,213
Intangible assets		858,756	871,487	898,495
Investment properties		926,047	937,827	973,168
Investments in associates	4	14,792,268	14,679,545	15,229,142
Available for sale investments	5	72,666,669	71,446,765	72,917,106
		232,118,377	224,220,421	209,202,124
Current assets				
Inventories	6	22,585,095	25,679,118	18,073,399
Trade and other receivables	7	17,386,818	15,035,629	15,135,878
Investments at fair value through profit or loss	8	9,920,207	9,662,680	9,249,648
Cash on hand and with financial institutions	9	18,358,536	11,606,936	12,736,903
		68,250,656	61,984,363	55,195,828
Total assets		300,369,033	286,204,784	264,397,952
Equity and liabilities				
Equity				
Share capital	10	63,765,554	63,765,554	63,765,554
Share premium		5,154,935	5,154,935	5,154,935
Treasury shares	11	(13,487,906)	(13,487,906)	(13,487,906)
Gain from sale of treasury shares		445,592	445,592	445,592
Statutory reserve		37,512,173	37,512,173	35,962,809
Voluntary reserve		32,549,684	32,549,684	31,000,320
General reserve		18,930,128	18,930,128	18,930,128
Change of fair value reserve		(11,321,029)	(12,922,638)	(12,566,533)
Group's share in associates' reserves		(883,417)	(750,335)	(764,521)
Retained earnings		25,485,476	20,437,498	23,143,142
Total equity		158,151,190	151,634,685	151,583,520
Liabilities				
Non-current liabilities				
Loans, bank facilities and Murabaha	12	112,860,001	105,294,172	61,650,566
Provision for employees' end of service indemnity		1,864,268	1,836,865	1,732,461
		114,724,269	107,131,037	63,383,027
Current liabilities				
Loans, bank facilities and Murabaha	12	10,529,016	7,004,522	26,919,777
Trade and other payables	13	16,964,558	20,434,540	22,511,628
		27,493,574	27,439,062	49,431,405
Total equity and liabilities		300,369,033	286,204,784	264,397,952

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Rashed Abdulaziz Al-Rashed
Chairman and Managing Director

Sulaiman Khalid Al-Ghunaim
Vice Chairman

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of income
For the three months ended 31 March 2013
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 31 March	
		2013	**2012**
Sales		18,318,394	17,397,205
Cost of sales	14	(13,036,793)	(12,320,645)
Gross profit		5,281,601	5,076,560
Other operating income	15	218,894	221,085
Selling, general and administrative expenses		(848,521)	(795,446)
Operating profit		4,651,974	4,502,199
Financing charges		(104,274)	(38,310)
Interest income		14,145	22,060
Net gains from investments	16	472,366	379,069
Group's share in associates' results	4	245,805	489,330
Net profit before deductions		5,280,016	5,354,348
Contribution to Kuwait Foundation for the Advancement of Sciences		(46,678)	(46,501)
National Labor Support tax		(117,406)	(113,712)
Zakat		(32,954)	(31,917)
Board of directors' remuneration		(35,000)	(35,000)
Net profit for the period		5,047,978	5,127,218
Earnings per share (fils)	17	7.91	8.04

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of comprehensive income
For the three months ended 31 March 2013
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 31 March	
		2013	**2012**
Net profit for the period		5,047,978	5,127,218
Other comprehensive income items			
Items that maybe reclassified subsequently to statement of income:			
Net unrealized profits/ (losses) from available for sale investments		1,300,571	(1,542,583)
Impairment of available for sale investments	5 &16	301,038	381,330
Group's share in associates' reserves	4	(133,082)	37,237
Total other comprehensive income items		1,468,527	(1,124,016)
Total comprehensive income for the period		6,516,505	4,003,202

The accompanying notes form an integral part of this interim condensed consolidated financial information.

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of changes in equity
For the three months ended 31 March 2013
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Gain from sale of treasury shares	Statutory reserves	Voluntary reserve	General reserve	Change of fair value reserve	Group's share in associates' reserves	Retained earnings	Total equity
Balance at 1 January 2012	63,765,554	5,154,935	(13,487,906)	445,592	35,962,809	31,000,320	18,930,128	(11,405,280)	(801,758)	18,015,924	147,580,318
Net profit for the period	-	-	-	-	-	-	-	-	-	5,127,218	5,127,218
Other comprehensive income items											
Net unrealized losses from available for sale investments	-	-	-	-	-	-	-	(1,542,583)	-	-	(1,542,583)
Impairment of available for sale investments	-	-	-	-	-	-	-	381,330	-	-	381,330
Group's share in associates' reserves	-	-	-	-	-	-	-	-	37,237	-	37,237
Total other comprehensive income items	-	-	-	-	-	-	-	(1,161,253)	37,237	-	(1,124,016)
Balance at 31 March 2012	63,765,554	5,154,935	(13,487,906)	445,592	35,962,809	31,000,320	18,930,128	(12,566,533)	(764,521)	23,143,142	151,583,520
Balance at 1 January 2013	63,765,554	5,154,935	(13,487,906)	445,592	37,512,173	32,549,684	18,930,128	(12,922,638)	(750,335)	20,437,498	151,634,685
Net profit for the period	-	-	-	-	-	-	-	-	-	5,047,978	5,047,978
Other comprehensive income items											
Net unrealized gains from available for sale investments	-	-	-	-	-	-	-	1,300,571	-	-	1,300,571
Impairment of available for sale investments	-	-	-	-	-	-	-	301,038	-	-	301,038
Group's share in associates' reserves	-	-	-	-	-	-	-	-	(133,082)	-	(133,082)
Total other comprehensive income items	-	-	-	-	-	-	-	1,601,609	(133,082)	-	1,468,527
Balance at 31 March 2013	63,765,554	5,154,935	(13,487,906)	445,592	37,512,173	32,549,684	18,930,128	(11,321,029)	(883,417)	25,485,476	158,151,190

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شـركـة اسـمـنـت الـكـويـت
KUWAIT CEMENT COMPANY

Interim condensed consolidated statement of cash flows
For the three months ended 31 March 2013
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 31 March	
		2013	**2012**
Cash flows from operating activities			
Net profit for the period		5,047,978	5,127,218
Adjustments:			
Depreciation and amortization		558,872	507,943
Provision for doubtful debts		1,054	413
Financing charges		104,274	38,310
Interest income		(14,145)	(22,060)
Net gains from investments		(511,074)	(411,644)
Group's share in associates' results	4	(245,805)	(489,330)
Provision for employees' end of service indemnity		27,403	21,525
Net operating profit before working capital changes		4,968,557	4,772,375
Inventories		3,094,023	131,757
Trade and other receivables		(2,352,243)	(1,414,301)
Investments at fair value through profit or loss		96,654	28,716
Trade and other payables		(1,764,208)	831,361
Net cash generated from operating activities		4,042,783	4,349,908
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,904,360)	(4,333,111)
Purchase of available for sale investments		-	(116,407)
Proceeds on sale of available for sale investments		140,799	188,138
Dividends received		397,799	308,539
Interest income received		14,145	22,060
Net cash used in investing activities		(7,351,617)	(3,930,781)
Cash flows from financing activities			
Dividend paid		(16,468)	(2,410)
Loans, bank facilities and Murabaha		11,368,340	(3,157,517)
Finance charges paid		(1,291,438)	(733,445)
Net cash generated from/ (used in) financing activities		10,060,434	(3,893,372)
Net increase/ (decrease) in cash and cash equivalents		6,751,600	(3,474,245)
Cash and cash equivalents at beginning of the period		11,226,936	16,211,148
Cash and cash equivalents at end of the period	9	17,978,536	12,736,903

The accompanying notes form an integral part of this interim condensed consolidated financial information.

1. Incorporation and activities

Kuwait Cement Company K.P.S.C. "the Company" is a Kuwaiti Public Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Company's shares were listed on the Kuwait Stock Exchange on 29 September 1984. The main objectives of the Group are producing various kinds of cement products, trading in all cement products, materials and machines which are related to the operation. Moreover, manufacturing and selling prefabricated concrete and import of all raw materials of concrete manufacturing and the utilization of the surplus available in the financial and real estate portfolios managed by specialized companies.

The Company is located in Kuwait, its head office is at Al - Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The interim condensed consolidated financial information includes the financial information of the Company and its subsidiaries (together referred to as "the Group").

Company name	Legal entity	Activity	Country of incorporation
Shuwaikh Cement Company	K.S.C.C	Industrial	Kuwait
Amwaj Real Estate Company	K.S.C.C	Real Estate	Kuwait
Kuwait Cement Ready Mix Company	K.S.C.C	Industrial	Kuwait

The Company used the financial information prepared by the subsidiary's management to prepare this interim condensed consolidated financial information for the three months ended 31 March 2013. The total assets of subsidiaries amounted to KD 21,126,318 as at 31 March 2013 (31 December 2012: KD 17,458,697 and 31 March 2012: KD 13,464,391) and total net profits amounted to KD 462,401 for the period then ended (net profits amounted to KD 59,742 for the three months ended 31 March 2012).

The Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 28 March 2013 by Decree Law No. 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce will determine the basis and rules which the Company shall adopt to regularise its affairs with the Companies Law as amended.

The accompanying interim condensed consolidated financial information was authorized for issue by Company's board of directors on 13 May 2013.

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the information and footnotes required for complete financial statements prepared in accordance with 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. The operating results for the three month period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. For further information, refer to the consolidated financial statements for the year ended 31 December 2012 and its related disclosures.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2012 except for the adoption of the new and amended IFRS that have become effective from 1 January 2013:

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Company does not have any assets with these characteristics so there has been no effect on the interim condensed consolidated financial information of the Group.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and of SIC-12 Consolidation – Special Purpose Entities.

Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard replaces IAS 31 "Interests in Joint Ventures". The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs must be accounted for using the equity method. The standard has no significant effect on the interim condensed consolidated financial information.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. The Group will review before the year end and may disclose any additional disclosure in the annual financial statements of the Group.

As a consequence of the new IFRS 11 and IFRS 12; IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard has not resulted in any impact on the financial position or performance of the Group.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

The adoption of this standard has not resulted in any additional disclosure in the interim condensed consolidated financial information. However additional disclosure may be made in the annual financial statement of the Group.

IAS 1 Presentation of Financial Statement

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendment affects presentation only and has no impact on the Group's financial position or performance. The application of the amendment did not result in an impact on the interim condensed consolidated statements of comprehensive income.

The amendment to IAS 1 shows the difference between the comparative additional optional information and the minimum required comparative information. The Company must include comparative information in the relevant notes in the consolidated financial statements when optionally provide comparative information beyond the minimum period required for a comparison. The optional additional comparative information does not require presented in a complete set of consolidated financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial information do not include a third balance sheet.

IAS 34: "Interim financial reporting and segment information for total assets and liabilities (Amendment)"

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.

IAS 19: "Employee Benefits (Revised 2011)"

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in define benefit obligations and plan assets. The amendments require recognition of changes in defined benefit obligations and fair value changes of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

In the case of the Group, the move to IAS 19 has no effect on the consolidated financial position or performance of the Group.

3. Property, plant and equipment

	31 March 2013	31 December 2012 (audited)	31 March 2012
Net book value at beginning of the period / year	136,284,797	110,895,225	110,895,225
Additions	7,154,170	27,362,703	8,785,167
Foreign currency translation differences	(29,969)	(5,620)	(12,846)
Depreciation for the period / year	(534,361)	(1,967,511)	(483,333)
Net book value at end of the period / year	142,874,637	136,284,797	119,184,213

The main projects under progress represent in construction a new kiln for the production of clinker. The total estimated value of the project is KD 115,673,466. While the total cost of the completing work amounted to KD 108,604,917 as at 31 March 2013 (KD 102,943,355 as at 31 December 2012, KD 94,411,432 as at 31 March 2012).

All property, plant and equipment located on land leased from the state owned under lease for a term of 5 years ending 2014.

Borrowing costs capitalized on projects an progress amounted to KD 909,147 for the three months ended 31 March 2013 (KD 4,043,799 for the year ended 31 December 2012, KD 804,594 for the three months ended 31 March 2012).

4. Investments in associates

	Country of incorporation	Ownership percentage %	Book value 31 March 2013	31 December 2012 (audited)	31 March 2012
Kuwait Rocks Co. K.S.C.C	Kuwait	30.00	-	-	455,941
Marine Contracting and Services Co. K.S.C.C	Kuwait	33.39	14,792,268	14,679,545	14,773,201
			14,792,268	14,679,545	15,229,142

The following is the movement of investments in associates:

	31 March 2013	31 December 2012 (audited)	31 March 2012
Balance at beginning of the period/year	14,679,545	14,702,575	14,702,575
Group's share in associates' results	245,805	(74,453)	489,330
Group's share in associates' reserves	(133,082)	51,423	37,237
Balance at end of the period/year	14,792,268	14,679,545	15,229,142

The Group's share in the associates' results was recorded based on the audited financial statements for the year ended 31 December 2012.

5. Available for sale investments

	31 March 2013	31 December 2012 (audited)	31 March 2012
Quoted shares	65,984,469	64,440,307	64,794,654
Unquoted shares	3,673,152	3,932,124	4,800,007
Foreign funds	3,009,048	3,074,334	3,322,445
	72,666,669	71,446,765	72,917,106

The quoted investments include investments of KD 28,325,221 as at 31 March 2013 in the shares of National Industries Group Holding K.S.C. which is one of the major shareholders in the Group (KD 26,570,562 as at 31 December 2012, KD 28,325,221 as at 31 March 2012).

Unquoted investments were stated at cost since their fair values could not be reliably determined and there have not been active markets for such investments. The available information for these investments did not indicate the existence of any impairment in value.

Available for sale investments include investments amounting to KD 1,925,424 as at 31 March 2013 (KD 2,617,055 as at 31 December 2012, KD 2,254,981 as at 31 March 2012) value based on recent available valuation reports from investment managers during the period as no reports were available for these investments as at the date of the financial information.

Available for sale investment include an investments pledged against loans, bank facilities and Murabaha amounting to KD 1,887,100 as at 31 March 2013 (KD 1,770,200 as at 31 December 2012, KD 1,887,000 as at 31 March 2012) (note 12).

Impairment of certain quoted available for sale investments was recognized at KD 301,038 as at 31 March 2013 (KD 381,330 as at 31 March 2012) as a result of the significant decrease of their value. This impairment was recognized in the interim condensed consolidated statement of income for the current period.

6. Inventories

	31 March 2013	31 December 2012 (audited)	31 March 2012
Raw materials	21,720,260	25,243,961	17,421,887
Finished goods	536,414	435,157	554,446
Letter of credit for purchase of inventory	328,421	-	97,066
	22,585,095	25,679,118	18,073,399

7. Trade and other receivables

	31 March 2013	31 December 2012 (audited)	31 March 2012
Amounts under collection at banks	762,428	1,251,900	2,549,611
Receivables against unconditional bank guarantees	4,197,892	3,774,544	3,588,234
Ministry of Commerce – difference from subsidizing cement to the public	2,309,272	2,091,144	2,185,576
Related parties (note 19)	1,912,063	1,386,449	2,174,437
Other trade receivables	7,633,214	6,831,770	5,653,689
Total trade receivables	16,814,869	15,335,807	16,151,547
Other debtors	559,816	325,354	388,866
	17,374,685	15,661,161	16,540,413
Provision for doubtful debts	(1,921,984)	(1,920,930)	(1,875,146)
	15,452,701	13,740,231	14,665,267
Prepaid expenses	504,342	307,645	459,685
Notes receivable	1,429,775	987,753	10,926
	17,386,818	15,035,629	15,135,878

8. Investments at fair value through profit or loss

	31 March 2013	31 December 2012 (audited)	31 March 2012
Local quoted investments	1,559,636	1,617,016	1,805,899
Foreign investments	8,360,571	8,045,664	7,443,749
	9,920,207	9,662,680	9,249,648

Quoted investments were evaluation according to the latest purchase order. Foreign investment was evaluated based on the latest available reports from the investment managers during the period.

9. Cash on hand and with financial institutions

	31 March 2013	31 December 2012 (audited)	31 March 2012
Cash on hand and at banks	11,768,820	4,937,920	1,987,538
Cash at investment portfolios	1,388,496	1,044,160	2,921,034
Deposits placed with banks	5,151,510	5,185,470	7,443,916
Cheques under collection	49,710	439,386	384,415
	18,358,536	11,606,936	12,736,903
Less: deposits for more than three months	(380,000)	(380,000)	-
Cash and cash equivalent	17,978,536	11,226,936	12,736,903

The average interest rate on bank deposits was 1.25% as at 31 March 2013 (1.25% as at 31 December 2012, 2% as at 31 March 2012).

10. Share capital

The Company's issued and fully paid capital is KD 63,765,554 distributed into 637,655,540 shares, each of a nominal value of 100 fils.

On 17 April 2011, the Extra Ordinary General Assembly has decided to increase share capital by 15% with a nominal value of 100 fils per share and share premium of 225 fils per share. On 25 September 2012, Amiri decree was issued approving the capital increase. Other approvals from the concerned authorities are obtained. The Board of Director called for the increase of share capital during the period ended 31 March 2013 to be on two instalments during the current year.

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11. Treasury shares

	31 March 2013	31 December 2012 (audited)	31 March 2012
Number of shares - share	20,170,729	20,170,729	20,170,729
Percentage of issued shares (%)	3.16	3.16	3.16
Market value (KD)	8,370,853	8,875,121	9,076,828

12. Loans, bank facilities and Murabaha

	31 March 2013	31 December 2012 (audited)	31 March 2012
Current portion			
Bank facilities	-	8,839	505,207
Loans	5,529,016	4,329,016	16,414,570
Murabaha	5,000,000	2,666,667	10,000,000
	10,529,016	7,004,522	26,919,777
Non-current portion			
Loans	66,810,001	62,171,299	33,650,566
Murabaha	46,050,000	43,122,873	28,000,000
	112,860,001	105,294,172	61,650,566
Total loans and bank facilities and Murabaha	123,389,017	112,298,694	88,570,343

The average effective interest rate on the loans, bank facilities and Murabaha was 4% as at 31 March 2013 (4% as at 31 December 2012, 4% as at 31 March 2012).

Certain loans are guaranteed by the fully commercial shop of the factory and its extensions with book value amounting to KD 18,983,683 as at 31 March 2013 (KD 19,325,886 as at 31 December 2012, KD 20,352,496 as at 31 March 2012). And also against available for sale investments amounting to KD 1,887,100 as at 31 March 2013 (KD 1,770,200 as at 31 December 2012, KD 1,887,100 as at 31 March 2012).

One of the main borrowings covenants is that the Group will not distribute dividends if the ratio of current assets to current liabilities decreases less than (1-1.5) and not to pledge movable and non-movable funds to others before obtaining written approval from the bank. The loans' covenant also state that the ratio of net debts to operating profit not be more than (1:6) and the ratio of operating profit to interests not be less than (1:2) and the ratio of net debts to equity increases not be more than (1:0.8) and the ratio of liabilities to equity not be more than (1:1.3).

13. Trade and other payables

	31 March 2013	31 December 2012 (audited)	31 March 2012
Suppliers	7,463,474	10,153,965	6,122,002
Deferred letter of credits for purchase of equipment	243,147	1,932,453	9,422,969
Accrued expenses and interests	2,720,878	2,573,573	2,671,561
Retention payable	3,537,481	3,098,211	2,168,663
Clients - advance payments	1,027,343	1,074,407	607,272
Contribution to Kuwait Foundation for the Advancement of Sciences	187,406	140,728	194,318
National Labour Support tax	453,429	336,023	434,609
Zakat	127,269	94,315	121,987
Dividends payable	487,248	503,716	463,159
Notes payable	699,697	428,740	93,212
Others	17,186	98,409	211,876
	16,964,558	20,434,540	22,511,628

14. Cost of sales

	Three months ended 31 March	
	2013	2012
Raw material	11,262,452	10,932,241
Change in finished goods	(101,257)	(25,179)
Salaries and benefits	967,751	642,258
Lease rentals	20,869	9,053
Supplies and maintenance	706,728	563,806
Others	180,250	198,466
	13,036,793	12,320,645

15. Other operating income

	Three months ended 31 March	
	2013	2012
Net income from investment properties	35,096	1,407
(Losses)/ profits from exchange differences	(175,216)	17,134
Other income	359,014	202,544
	218,894	221,085

16. Net gains from investments

	Three months ended 31 March	
	2013	2012
Investments at fair value trough profit or loss:		
Unrealized gains	322,678	472,586
Realized gains	31,503	-
Cash dividends	14,007	-
	368,188	472,586
Available for sale investments:		
Impairment	(301,038)	(381,330)
Realized gains	60,132	11,849
Cash dividends	383,792	308,539
Portfolio management fees	(38,708)	(32,575)
	104,178	(93,517)
	472,366	379,069

17. Earnings per share

Earnings per share are calculated by dividing the net profit for the period by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the period, taking into account treasury shares. The calculation of earnings per share is as follows:

	Three months ended 31 March	
	2013	2012
Net profit for the period	5,047,978	5,127,218
Weighted average number of outstanding shares during the period (shares)	637,911,117	637,911,117
Earnings per share (fils)	7.91	8.04

Earnings per share are calculated by considering the bonus factor (note 10) for the current and comparative period.

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18. Dividends

The General Assembly of shareholders held on 1 May 2013 approved the consolidated financial statements for the year ended 31 December 2012 and also approved distributing cash dividends at 15 fils per share after deducting treasury shares (15 fils – 2011).

19. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, and subsidiaries in which the company has representatives in their board. In the normal course of business, and by approval of the Group's management, transactions were done with such related parties during the period ended 31 March 2013. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Following is a summary of significant related party transactions:

	Three months ended 31 March	
	2013	**2012**
Consolidated statement of income:		
Sales	1,192,627	1,384,454
Key management benefits		
Executive committees fees	30,000	30,000
Salaries and other benefits	171,900	171,900

	31 March 2013	31 December 2012 (audited)	31 March 2012
Consolidated statement of financial position:			
Trade and other receivables (note 7)	1,912,063	1,386,449	2,174,437
Trade and other payables	-	-	785,894
Provision for employees' end of service indemnity	484,761	484,318	483,045

20. Capital liabilities and commitments

	31 March 2013	31 December 2012 (audited)	31 March 2012
Contingent liabilities			
Letters of guarantee	248,847	248,847	248,847
Capital commitments			
Letters of credit	1,241,384	3,388,048	11,985,783
Uncalled subscription relating to available for sale investments	183,431	183,431	183,431
Uncalled subscription relating to investments in funds	369,948	369,948	369,948
Contracts for importing raw materials	8,708,952	4,953,794	14,024,473
Projects under progress	7,068,549	9,988,612	17,086,805

21. Segment financial information

The primary segments information as follows:

Operating segments

The Group has determined the following two major business segments for internal reporting purposes:

- Manufacturing sector which includes production and sale cement & ready – mix cement.
- Investment sector

Financial information about business segments for the period ended 31 March is as follows:

	2013			2012		
	Manufacturing sector	**Investment sector**	**Total**	**Manufacturing sector**	**Investment sector**	**Total**
Segment revenues	18,677,408	753,266	19,430,674	19,052,504	869,806	19,922,310
Total segments' profit	4,616,879	753,266	5,370,145	4,500,792	869,806	5,370,598
Segments assets	200,675,346	99,693,687	300,369,033	163,107,854	101,290,098	264,397,952

Adjustments	2013	2012
Total segments' profit	5,370,145	5,370,598
Financing charges	(104,274)	(38,310)
Interest income	14,145	22,060
Total segments profit before deductions	5,280,016	5,354,348