

Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 March 2020 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Group Holding - KPSC (the "Parent Company") and its Subsidiaries (together the "Group") as of 31 March 2020 and the related interim condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statements 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 violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2020 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
13 August 2020

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
Sales		28,669	33,426
Cost of sales		(24,509)	(28,355)
Gross profit		4,160	5,071
Loss on disposal of indirect subsidiaries		-	(1,520)
(Loss)/Income from investments	5	(72,317)	38,421
Share of results of associates	12	4,765	4,857
Profit on partial disposal of an associate		-	1,597
Rental income		632	462
Interest and other income		831	1,702
Distribution costs		(2,072)	(2,063)
General, administrative and other expenses		(5,992)	(7,183)
Loss on foreign currency exchange		(1,705)	(341)
		(71,698)	41,003
Finance costs		(6,449)	(7,247)
Impairment in value of intangible assets		-	(945)
Impairment in value of investment in associates	12	-	(414)
Impairment in value of receivables and other assets		(20)	(19)
(Loss)/profit before foreign taxation		(78,167)	32,378
Foreign taxation	6a	(25)	(200)
(Loss)/profit before provision for KFAS, NLST and Zakat		(78,192)	32,178
Provision for KFAS, NLST and Zakat	6b	(18)	(1,715)
(Loss)/profit for the period		(78,210)	30,463
(Loss)/profit for the period attributable to:			
Owners of the Parent Company		(76,004)	26,992
Non-controlling interests		(2,206)	3,471
		(78,210)	30,463
Basic and diluted (loss)/earnings per share attributable to the Owners of the Parent Company:	7	(54.6) Fils	19.4 Fils

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.


Interim condensed consolidated statement of profit or loss and other comprehensive income

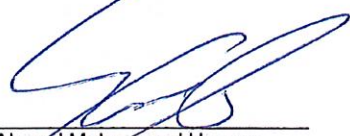
	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
(Loss)/profit for the period	(78,210)	30,463
Other comprehensive (loss)/income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
- Exchange differences arising on translation of foreign operations	(893)	376
- Transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	-	1,576
Share of other comprehensive (loss)/income of associates		
- Changes in fair value	(2,004)	55
Total other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods	(2,897)	2,007
Items not to be reclassified to profit or loss in subsequent periods:		
Defined benefit plan actuarial loss	(40)	(404)
Net changes in fair value of investments in equity instruments designated at FVOCI	20,499	1,617
Share of other comprehensive loss of associates	(984)	(1,879)
Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	19,475	(666)
Total other comprehensive income/(loss) for the period	16,578	1,341
Total comprehensive (loss)/income for the period	(61,632)	31,804
Total comprehensive (loss)/income attributable to:		
Owners of the Parent Company	(61,911)	27,511
Non-controlling interests	279	4,293
	(61,632)	31,804

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Assets				
Bank balances and cash	8	102,263	31,798	34,991
Short-term deposits	8	14,130	18,189	33,249
Wakala and sukuk investments	9	1,000	1,000	1,000
Accounts receivable and other assets		54,046	50,776	79,824
Inventories		35,882	35,948	39,485
Financial assets at fair value through profit or loss	10	279,160	410,414	374,890
Assets held for sale	21	8,240	-	-
Financial assets at fair value through other comprehensive income	11	224,363	203,932	214,540
Right of use of leased assets		7,685	6,532	-
Investment properties		60,769	60,445	53,132
Investment in associates	12	323,175	324,781	321,128
Property, plant and equipment		89,029	91,177	96,136
Goodwill and other intangible assets		9,570	9,552	9,113
Total assets		1,209,312	1,244,544	1,257,488
Liabilities and equity				
Liabilities				
Due to banks	8	22,612	23,969	23,394
Accounts payable and other liabilities		71,060	69,190	82,999
Borrowings and bonds	13	654,046	628,603	621,519
Provisions		14,566	14,113	14,411
Total liabilities		762,284	735,875	742,323
Equity attributable to owners of the Parent Company				
Share capital	14	142,784	142,784	135,985
Share premium		122,962	122,962	122,962
Treasury shares		(30,375)	(30,375)	(30,375)
Cumulative changes in fair value		34,924	20,938	21,607
Other components of equity	15	32,258	32,260	25,041
Retained earnings		13,539	89,434	104,977
Equity attributable to owners of the Parent Company		316,092	378,003	380,197
Non-controlling interests		130,936	130,666	134,968
Total equity		447,028	508,669	515,165
Total liabilities and equity		1,209,312	1,244,544	1,257,488


Sa'ad Mohammed Al-Sa'ad
Chairman


Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Total	(7)	(2)	(9)	(78,210)	16,578	(61,632)	-	447,028
KD '000								
508,669								

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 15) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2019	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686	143,662	496,348
Transactions with owners									
Decrease in non-controlling interests on disposal of indirect subsidiaries	-	-	-	-	-	-	-	(6,264)	(6,264)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(6,789)	(6,789)
Other changes in non-controlling interests	-	-	-	-	-	-	-	66	66
Total transactions with owners	-	-	-	-	-	-	-	(12,987)	(12,987)
Comprehensive income									
Profit for the period	-	-	-	-	-	26,992	26,992	3,471	30,463
Other comprehensive (loss)/income for the period (actuarial losses and others)	-	-	-	(291)	1,214	(404)	519	822	1,341
Total comprehensive (loss)/income for the period	-	-	-	(291)	1,214	26,588	27,511	4,293	31,804
Realised loss on equity investments at FVOCI	-	-	-	219	-	(219)	-	-	-
Balance at 31 March 2019	135,985	122,962	(30,375)	21,607	25,041	104,977	380,197	134,968	515,165

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
OPERATING ACTIVITIES			
(Loss)/profit before foreign taxation		(78,167)	32,378
Adjustments for :			
Loss on disposal of indirect subsidiaries		-	1,520
Dividend income from financial assets at FVOCI		(157)	(897)
Share of results of associates		(4,765)	(4,857)
Profit on partial disposal of an associate		-	(1,597)
Interest/profit on bank balances, short-term deposits and wakala investments		(122)	(233)
Net provisions charged		453	838
Depreciation and amortisation		1,152	1,980
Finance costs		6,449	7,247
Impairment in value of intangible assets		-	945
Impairment in value of investment in associates		-	414
Impairment in value of receivables and other assets		20	19
		(75,137)	37,757
Changes in operating assets and liabilities:			
Inventories		42	(2,898)
Accounts receivable and other assets		(2,262)	(13,665)
Financial assets at fair value through profit or loss		131,254	(10,177)
Accounts payable and other liabilities		1,495	17,492
Cash from operations		55,392	28,509
Taxation paid		(24)	(223)
KFAS, NLST and Zakat paid		-	(95)
Net cash from operating activities		55,368	28,191
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6,612)	(1,983)
Addition to investment properties		(324)	(3,012)
Additions to investment in associates		-	(200)
Purchase of financial assets at FVOCI		(444)	(629)
Proceeds from sale of financial assets at FVOCI		512	1,880
Dividend income received from financial assets at FVOCI		157	897
Decrease in cash and cash equivalents on disposal of indirect subsidiaries		-	(3,684)
Decrease in short term deposits maturing after three months		702	-
Increase in bank blocked balances		(3,086)	-
Interest/profit received on bank balances, short-term deposits and wakala investments		60	269
Net cash used in investing activities		(9,035)	(6,462)

The notes set out on pages 9 to 20 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 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
FINANCING ACTIVITIES			
Net increase in borrowings		25,443	19,122
Dividend paid to owners of the Parent Company		(90)	(79)
Dividend paid to non-controlling interest		(7)	(6,789)
Finance costs paid		(6,310)	(7,465)
Change in non-controlling interests		(2)	66
Net cash from financing activities		19,034	4,855
Net increase in cash and cash equivalents		65,367	26,584
Net cash on assets held for sale		(15)	-
Translation difference		27	58
		65,379	26,642
Cash and cash equivalents at beginning of the period		23,598	18,198
Cash and cash equivalents at end of the period	8	88,977	44,840

The notes set out on pages 9 to 20 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 Group Holding – KPSC ('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 trademarks, 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.

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 13 August 2020.

The annual consolidated financial statements for the year ended 31 December 2019 were authorised for issuance by the Parent Company's Board of Directors on 05 April 2020 and approved by the shareholders at the Annual General Meeting held on 30 April 2020.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The accounting policies used in the preparation of these interim condensed consolidated financial information is consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the changes described in Note 3.

The interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated 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.

Operating results for the three-month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2019.

Notes to the interim condensed consolidated financial information (continued)

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 2020 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The application of the amendments did not have a significant impact on the Group's interim consolidated financial information.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The application of the amendments did not have a significant impact on the Group's interim consolidated financial information.

Several other amendments and interpretations apply for the first time in 2020, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2019, with the exception of the impact of Covid-19 outbreak which is described below;

Effect of COVID 19

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak remains unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations. As of 31 March 2020, the Group's management has reviewed the carrying value of its significant investment properties and associates and concluded that the carrying values of these assets as reported as of 31 December 2019 are largely unchanged as of 31 March 2020. The Group's Management has also reassessed the inputs and assumptions used for the determination of fair value of financial assets at FVTOCI and FVTPL and has determined the fair value of its significant investments based on most recent market information available to Management relating to the respective investments and recognized the resulting unrealized loss in this interim condensed consolidated financial information.

The Group's Management has also assessed the Group's liquidity position and believes it has adequate resources to meet its liabilities. As the situation is fluid and rapidly evolving, asset carrying values remains sensitive to market fluctuations and further it is not yet clear to what extent COVID-19 will affect the Group's estimates in the remainder of 2020 and the future fair value of investment properties and investments and thus Management is continuously revising their assumptions, estimates and judgments and also monitoring their liquidity position as events unfold.

5 (Loss)/income from investments

	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
Dividend income:		
- From financial assets at fair value through profit or loss	2,727	3,527
- From financial assets at fair value through other comprehensive income	157	897
Realised (loss)/gain on financial assets at fair value through profit or loss	(10,911)	3,711
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(64,309)	30,268
Interest income on debt securities classified under financial assets at FVTPL	19	18
	(72,317)	38,421

6 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
Current tax expense		
Current period charge	(25)	(200)
	(25)	(200)

Notes to the interim condensed consolidated financial information (continued)

6 Taxation and other statutory contributions

(b) Provision for KFAS, NLST and Zakat

	Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	-	(230)
Provision for National Labour Support Tax (NLST)	-	(1,218)
Provision for Zakat	(18)	(267)
	(18)	(1,715)

7 Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March 2020 (Unaudited)	Three months ended 31 March 2019 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD '000)	(76,004)	26,992
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,391,309,848	1,391,309,848
Basic and diluted (loss)/earnings per share	(54.6) Fils	19.4 Fils

8 Cash and cash equivalents

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Bank balances and cash	102,263	31,798	34,991
Short-term deposits	14,130	18,189	33,249
Due to banks (Note 8 a)	(22,612)	(23,969)	(23,394)
	93,781	26,018	44,846
Less: Short term deposits maturing after 3 months	(1,712)	(2,414)	-
Blocked balances (Note 8 b)	(3,092)	(6)	(6)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	88,977	23,598	44,840

- a) Due to banks includes bank overdraft facilities utilised by one of the subsidiaries of the Group which is secured by short term deposit of KD623 thousand (31 December 2019: KD623 thousand and 31 March 2019: KD609thousand).
- b) Blocked balances represent bank balances of KD3,085 (31 December 2019: Nil) of one of the subsidiaries of the Group which is pledged as security for short term borrowings.

Notes to the interim condensed consolidated financial information (continued)

9 Wakala and sukuk investments

Wakala investments of KD14,324 thousand (31 December 2019 and 31 March 2019: KD14,324 thousand) placed by a local subsidiary of the Group with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However, revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in June 2014, 2015, 2016 and 2017 respectively. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules. During the year, the subsidiary has signed settlement agreement with Investee Company and as per this agreement 50% shares of a local unlisted company (acquired company) have been transferred to the subsidiary. The acquired company along with other entities are pursuing legal action in order to execute their joint rights as per previous court verdict. The management of the subsidiary is of the opinion that the financial impact of this transaction will be adjusted upon completion of the relevant legal proceedings.

During the previous years, one of the subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD1,683 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary company had placed with the above investment company as part of the total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. As noted above, the amount was fully provided in accordance with Central Bank of Kuwait rules. The subsidiary company initiated legal proceedings against the parties to recover the amount including profits thereon. During 2019 consequent to a court ruling decided in favor of the subsidiary company, the related parties entered into a settlement agreement with the subsidiary company to settle the above amount of KD1,683. The subsidiary company received partial 2nd payment of KD200 thousand during the period as per the settlement agreements and remaining amount of KD600 thousand and KD683 thousand to be received in 2020 and 2021 respectively. This has resulted in a reversal of provision on wakala investment amounting to KD200 thousand in accordance with Central Bank of Kuwait credit provisioning rules.

10 Financial assets at fair value through profit or loss

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Quoted shares	174,609	240,190	224,420
Quoted debt securities (held in managed portfolios)	-	1,326	1,309
Unquoted equity participations	26,840	26,414	21,494
Managed portfolios and funds	77,711	142,484	127,667
	279,160	410,414	374,890

Quoted shares and managed funds, held by the Group, with a fair value of KD135,834 thousand (31 December 2019: KD163,476 thousand and 31 March 2019: KD160,404 thousand) are secured against borrowings.

11 Financial assets at fair value through other comprehensive income

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Quoted shares	37,935	47,633	48,786
Unquoted equity participations	162,815	132,469	136,807
Managed portfolios and funds	23,613	23,830	28,947
	224,363	203,932	214,540

Notes to the interim condensed consolidated financial information (continued)

11 Financial assets at fair value through other comprehensive income (continued)

- a) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Limited, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during the current period until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.
- b) Quoted shares with a fair value of KD22,831 thousand (31 December 2019: KD32,473 thousand and 31 March 2019: KD33,989 thousand) and unquoted shares with a fair value of KD96 thousand (31 December 2019: KD96 thousand and 31 March 2019: KD168 thousand) are secured against bank borrowings (Note 13).

12 Investment in associates

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

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Balance at 1 January	324,781	317,462	317,462
Additions during the year	-	2,997	200
Share of results	4,765	15,767	4,857
Disposal/capital reduction	-	(5,217)	(3,118)
Share of other comprehensive (loss)/income	(2,988)	9,971	(1,824)
Dividend distribution (Note 12 a)	(1,522)	(9,619)	(1,603)
Foreign currency translation adjustment	(1,882)	(3,804)	(140)
Impairment in value	-	(7,748)	(414)
Net additions due to deconsolidation of indirect subsidiaries	-	5,536	5,536
Other adjustments	21	(564)	172
Balance at the end of the period/year	323,175	324,781	321,128

- a) As of reporting date, dividend distribution includes an amount of KD1,522 thousand (31 March 2019: KD1,603 thousand) receivables from a foreign associate and it has been included under accounts receivable and other assets as of 31 March 2020.

13 Borrowings and bonds

Total borrowings and bonds are due as follows:

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Bonds (Note 13 a)	55,000	25,000	25,000
Long term borrowings			
- Current portion of long-term borrowings	145,737	156,362	106,181
- Due after more than one year	284,782	282,374	311,264
Short term borrowings	168,527	164,867	179,074
	654,046	628,603	621,519

Notes to the interim condensed consolidated financial information (continued)

13 Borrowing (continued)

- a) During the period, the Parent Company issued unsecured bonds of KD30,000 thousand in two series composed of KD22,400 thousand fixed rate bonds and KD7,600 thousand floating rate bonds at face value maturing on 11 February 2025.

14 Share capital and dividend distributions

a) Share capital

As of 31 March 2020, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,427,845,728 shares of 100 Fils each (31 December 2019: 1,427,845,728 shares and 31 March 2019: 1,359,853,075 shares).

b) Dividend distribution

At the Annual General Meeting held on 30 April 2020, the shareholders approved a cash dividend of 10% (2018: 12%) equivalent to 10 Fils (2018: equivalent to 12 Fils) per share for the year ended 31 December 2019.

15 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 2020	19,950	6,382	18,452	(12,524)	32,260
Other comprehensive income:					
Currency translation differences	-	-	-	(2)	(2)
Balances at 31 March 2020	19,950	6,382	18,452	(12,526)	32,258
Balances at 1 January 2019	15,011	1,443	18,452	(11,079)	23,827
Other comprehensive income:					
Currency translation differences	-	-	-	402	402
Exchange differences transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	-	-	-	812	812
Balances at 31 March 2019	15,011	1,443	18,452	(9,865)	25,041

16 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 and chemical		Hotel and IT services		Total	
	31 March 2020 KD '000	31 March 2019 KD '000	31 March 2020 KD '000	31 March 2019 KD '000	31 March 2020 KD '000	31 March 2019 KD '000	31 March 2020 KD '000	31 March 2019 KD '000	31 March 2020 KD '000	31 March 2019 KD '000
Three months ended										
Segment revenue	(66,089)	45,519	12,092	13,507	12,444	16,650	4,133	3,269	(37,420)	78,945
Less:										
Loss on disposal of indirect subsidiaries									-	1,520
Loss/(income) from investments									72,317	(38,421)
Share of results of associates									(4,765)	(4,857)
Profit on partial disposal of an associate									-	(1,597)
Rental income									(632)	(462)
Interest and other income									(831)	(1,702)
Sales, per interim condensed consolidated statement of profit or loss									28,669	33,426
Segment (loss)/profit	(68,989)	39,485	172	729	(1,454)	(126)	258	(122)	(70,013)	39,966
Less:										
Finance costs									(6,449)	(7,247)
Loss on foreign currency exchange									(1,705)	(341)
(Loss)/profit before foreign taxation									(78,167)	32,378
Segment assets	1,004,884	1,054,567	78,694	76,899	111,808	111,313	13,926	14,709	1,209,312	1,257,488
Segment liabilities	(29,812)	(31,346)	(26,855)	(27,617)	(22,029)	(31,469)	(6,930)	(6,978)	(85,626)	(97,410)
Segment net assets	975,072	1,023,221	51,839	49,282	89,779	79,844	6,996	7,731	1,123,686	1,160,078
Borrowings, bonds and due to banks									(676,658)	(644,913)
Total equity per interim condensed consolidated statement of financial position									447,028	515,165

Notes to the interim condensed consolidated financial information (continued)

17 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 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	8,016	7,817	9,508
- Due from key management personnel	70	70	70
- Due on disposal of indirect subsidiaries	-	-	3,000
- Due from other related parties	1,783	1,990	5,826
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	424	416	469
- Due to other related parties	1,968	1,848	1,025
		Three months ended 31 March 2020 (Unaudited) KD '000	Three months ended 31 March 2019 (Unaudited) KD '000
Transactions with related parties			
Retained investment property of the disposed subsidiaries as a part of the disposal consideration		-	2,890
Transactions included in the interim condensed consolidated statement of profit or loss			
Loss on disposal of indirect subsidiaries		-	1,520
Purchase of raw materials – from associates		672	846
Compensation of key management personnel of the Group			
Short term employee benefits		1,085	1,130
End of service benefits		44	37
Cost of share-based payment		260	-
Board of Directors' remuneration of subsidiaries		-	250
		1,389	1,417

18 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, wakala and sukuk investments, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, short term deposits and bank balances and cash) and financial liabilities (due to banks, borrowings, bonds and accounts payable and other liabilities).

The carrying amounts of other financial assets and liabilities as at 31 March 2020 approximate their fair values.

Notes to the interim condensed consolidated financial information (continued)

18 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets 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 assets or liabilities 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 consolidated statement of financial position are grouped into the fair value hierarchy as follows;

At 31 March 2020

	Level 1	Level 2	Level 3	Total balance
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	174,609	-	-	174,609
- Unquoted equity participations	-	13,610	13,230	26,840
- Managed portfolios and funds	-	2,990	74,721	77,711
Financial assets at FVOCI				
- Quoted shares	37,935	-	-	37,935
- Unquoted equity participations	-	64,009	98,807	162,816
- Managed portfolios and funds	-	5,503	18,109	23,612
	212,544	86,112	204,867	503,523

At 31 December 2019

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value				
Financial assets at FVTPL				
-Quoted shares	240,190	-	-	240,190
-Quoted debt securities	1,326	-	-	1,326
-Unquoted equity participations	-	13,371	13,043	26,414
-Managed portfolios and funds	-	4,169	138,315	142,484
Financial assets at FVOCI				
-Quoted shares	47,633	-	-	47,633
-Unquoted equity participations	-	36,336	96,133	132,469
-Managed portfolios and funds	-	5,694	18,136	23,830
	289,149	59,570	265,627	614,346

Notes to the interim condensed consolidated financial information (continued)

18 Financial instruments (continued)

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

At 31 March 2019

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	224,420	-	-	224,420
- Quoted debt securities	1,309	-	-	1,309
- Unquoted equity participations	-	12,132	9,362	21,494
- Managed portfolios and funds	-	5,448	122,219	127,667
Financial assets at FVOCI				
- Quoted shares	48,786	-	-	48,786
- Unquoted equity participations	-	54,787	82,020	136,807
- Managed portfolios and funds	-	3,671	25,276	28,947
	274,515	76,038	238,877	589,430

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 data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 March 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	31 March 2019 (Unaudited) KD '000
Opening balance	265,627	236,471	236,471
Net change in fair value	1,515	31,724	2,158
Net (disposal)/additions during the period/year	(62,275)	(2,568)	248
Closing balance	204,867	265,627	238,877

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.

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

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 2020 amounted to KD7,795 thousand (31 December 2019: KD9,874 thousand and 31 March 2019: KD8,983 thousand) of which assets managed on behalf of related parties amounted to KD2,499 thousand (31 December 2019: KD2,569 thousand and 31 March 2019: KD2,741 thousand).

Notes to the interim condensed consolidated financial information (continued)

20 Contingent liabilities and capital commitments

As at 31 March 2020, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD18,885 thousand (31 December 2019: KD18,916 thousand and 31 March 2019: KD26,717 thousand).

At the reporting date the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties totalling to KD19,397 thousand (31 December 2019: KD20,348 thousand and 31 March 2019: KD25,480 thousand)

21 Assets held for sale

During the period, one of the subsidiaries of the Group approved the sale, liquidation, or merger of one of its subsidiary's 50% ownership. Consequently, the assets and liabilities assigned to this subsidiary have been classified as assets held for sale in the group interim condensed consolidated financial information.

22 Comparative information

Certain comparative figures have been reclassified to conform to the presentation in the current period, and such reclassification does not affect previously reported net assets, net equity and net results for the period or net increase in cash and cash equivalents.