

Interim condensed consolidated financial information and review report
National Industries Group Holding – KPSC and Subsidiaries
Kuwait

30 September 2015 (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 financial position of National Industries Group Holding (Kuwaiti Public Shareholding Company) (the "Parent Company") and its Subsidiaries (collectively the "Group") as of 30 September 2015 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 and its Executive Regulations or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2015 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



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

Kuwait
10 November 2015

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Sales		31,738	29,521	103,285	93,537
Cost of sales		(24,907)	(23,339)	(79,559)	(72,602)
Gross profit		6,831	6,182	23,726	20,935
Income from investments	4	490	11,930	19,640	38,524
Profit on disposal of associates	7	391	807	391	1,140
Share of results of associates	7	5,107	3,473	17,851	11,811
Realized gain on disposal of investment properties		-	-	-	563
Rental income		603	390	1,451	1,147
Interest and other income		2,341	504	3,306	1,532
Distribution costs		(1,707)	(1,681)	(5,175)	(4,892)
General, administrative and other expenses		(5,609)	(5,802)	(17,429)	(18,310)
Gain/(loss) on foreign currency exchange		999	(1,954)	(2,652)	(2,315)
Finance costs		9,446	13,849	41,109	50,135
Impairment in value of investment in associate	7	(7,033)	(7,730)	(21,790)	(22,902)
Impairment in value of available for sale investments	9	(389)	-	(433)	(111)
Impairment in value of accounts receivables and other assets		(577)	(2,935)	(2,608)	(8,835)
		-	-	(6)	(711)
Profit before taxation and other statutory contributions		1,447	3,184	16,272	17,576
Taxation and other statutory contributions	5	(318)	(256)	(1,258)	(1,122)
Profit for the period		1,129	2,928	15,014	16,454
Attributable to :					
Owners of the parent company		476	1,614	9,851	9,618
Non-controlling interests		653	1,314	5,163	6,836
		1,129	2,928	15,014	16,454
Basic and diluted earnings per share attributable to the owners of the parent company	6	0.4 Fils	1.2 Fils	7.4 Fils	7.3 Fils

The notes set out on pages 9 to 22 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		Nine months ended	
	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Profit for the period	1,129	2,928	15,014	16,454
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	(10)	678	776	4,341
Available for sale investments:				
- Net changes in fair value arising during the period	(60,279)	59,149	(66,396)	55,098
- Transferred to interim condensed consolidated statement of profit or loss on disposals	(1,294)	(4,456)	(4,709)	(11,131)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	577	2,935	2,608	8,835
Share of other comprehensive income of associates				
- Change in fair value	(1,579)	(3,112)	(6,291)	1,515
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	(62,585)	55,194	(74,012)	58,658
Items not to be reclassified to profit or loss in subsequent periods				
Defined benefit plan actuarial (loss)/gain	(889)	670	(714)	947
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	(889)	670	(714)	947
Total other comprehensive income for the period	(63,474)	55,864	(74,726)	59,605
Total comprehensive income for the period	(62,345)	58,792	(59,712)	76,059
Total comprehensive income attributable to:				
Owners of the parent company	(46,826)	43,588	(46,937)	55,099
Non-controlling interests	(15,519)	15,204	(12,775)	20,960
	(62,345)	58,792	(59,712)	76,059

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		14,976	17,530	9,428
Property, plant and equipment		70,753	70,647	70,689
Investment in associates	7	330,950	330,968	300,078
Investment properties	8	68,791	61,425	55,050
Available for sale investments	9	555,158	616,919	722,913
Accounts receivable		1,593	2,102	2,220
Total non-current assets		1,042,221	1,099,591	1,160,378
Current assets				
Inventories		37,309	32,023	31,166
Available for sale investments	9	48,088	63,352	75,430
Accounts receivable and other assets		52,920	70,609	52,188
Murabaha and wakala investments	14	-	598	596
Investments at fair value through profit or loss	10	80,002	59,706	65,543
Short-term deposits	14	14,138	6,715	3,717
Bank balances and cash	14	35,592	53,354	45,501
Total current assets		268,049	286,357	274,141
Total assets		1,310,270	1,385,948	1,434,519
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	11	135,985	135,985	135,985
Treasury shares		(30,375)	(30,375)	(30,375)
Share premium	11	122,962	122,962	122,962
Cumulative changes in fair value		103,776	160,785	205,904
Other components of equity	12	28,102	27,167	21,621
Retained earnings		16,377	23,849	14,950
Equity attributable to owners of the parent company		376,827	440,373	471,047
Non-controlling interests		132,110	146,729	161,037
Total equity		508,937	587,102	632,084
Non-current liabilities				
Long-term borrowings	13	456,901	370,254	388,301
Leasing creditors		458	478	594
Provisions		16,106	15,809	13,026
Total non-current liabilities		473,465	386,541	401,921
Current liabilities				
Accounts payable and other liabilities		63,500	55,178	44,346
Short-term borrowings	13	244,455	335,453	325,390
Due to banks	14	19,913	21,674	30,778
Total current liabilities		327,868	412,305	400,514
Total liabilities		801,333	798,846	802,435
Total equity and liabilities		1,310,270	1,385,948	1,434,519

Sa'ad Mohammed Al-Sa'ad
Chairman



Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 22 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 12) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2015	135,985	(30,375)	122,962	160,785	27,167	23,849	440,373	146,729	587,102
Transactions with owners									
Increase in non-controlling interests of a subsidiary during the period (Note 11d)	-	-	-	-	-	(708)	(708)	5,108	4,400
Redemption of units/ share capital by non-controlling interest of subsidiary	-	-	-	-	-	-	-	(1,750)	(1,750)
Dividend paid	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Other changes in non-controlling interests	-	-	-	-	-	-	-	(4,975)	(4,975)
Total transactions with owners	-	-	-	-	-	(16,609)	(16,609)	(227)	(227)
Comprehensive income									
Profit for the period	-	-	-	-	-	9,851	9,851	5,163	15,014
Other comprehensive income for the period (actuarial gains and others)	-	-	-	(57,009)	935	(714)	(56,788)	(17,938)	(74,726)
Total comprehensive income for the period	-	-	-	(57,009)	935	9,137	(46,937)	(12,775)	(59,712)
Balance at 30 September 2015	135,985	(30,375)	122,962	103,776	28,102	16,377	376,827	132,110	508,937

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

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Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2015 (Unaudited) KD '000	Nine months ended 30 Sept. 2014 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before taxation and other statutory contributions	16,272	17,576
Adjustments for :		
Depreciation of property, plant and equipment	4,927	4,900
Realised gain on disposal of investment properties	-	(563)
Share of results of associates	(17,851)	(11,811)
Profit on disposal of associates	(391)	(1,140)
Impairment in value of investments in associate	433	111
Dividend income from available for sale investments	(13,962)	(14,868)
Impairment in value of available for sale investments	2,608	8,835
Impairment in value of accounts receivables and other assets	6	711
Profit on sale of available for sale investments	(7,602)	(16,653)
Net provision released	297	338
Finance costs	21,790	22,902
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(371)	(357)
Changes in operating assets and liabilities:	6,156	9,981
Inventories	(5,286)	742
Accounts receivable and other assets	18,192	13,815
Investments at fair value through profit or loss	(20,296)	(344)
Accounts payable and other liabilities	8,707	(1,330)
Cash from operations	7,473	22,864
Taxation paid	(237)	(245)
KFAS, Zakat & NLST paid	(580)	(878)
Net cash from operating activities	6,656	21,741

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Nine months ended 30 Sept. 2015 (Unaudited) KD '000	Nine months ended 30 Sept. 2014 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,333)	(4,502)
Purchase of investment properties		(5,066)	(9,683)
Proceeds from sale of investment properties		-	5,139
Proceeds from disposal of associates		4,695	4,276
Addition to investment in associates		(3,398)	(1,831)
Dividend received from associates		10,569	7,349
Purchase of available for sale investments		(12,287)	(21,972)
Proceeds from sale of available for sale investments		25,809	34,319
Decrease in wakala investments maturing after three months		598	3,904
Increase of short term deposit maturing after three months		(260)	-
Decrease/(increase) in block balances		2,512	(1,186)
Dividend income received from available for sale investments		13,962	14,868
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		187	255
Net cash from investing activities		29,988	30,936
FINANCING ACTIVITIES			
Finance lease (payment)/ receipts		(250)	500
Net increase/(decrease) in long-term borrowings		120,647	(20,723)
Net (decrease)/increase in short-term borrowings		(124,998)	4,407
Dividend paid to owners of the parent		(15,157)	(83)
Finance costs paid		(21,518)	(22,930)
Decrease in non-controlling interests		(1,844)	(7,899)
Net cash used in financing activities		(43,120)	(46,728)
Net (decrease)/increase in cash and cash equivalents		(6,476)	5,949
Translation difference		150	65
Cash and cash equivalents at beginning of the period		(6,326)	6,014
Cash and cash equivalents at end of the period	14	29,232	15,830

The notes set out on pages 9 to 22 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 – 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 10 November 2015.

The annual consolidated financial statement for the year ended 31 December 2014 were authorised for issuance by the Parent Company's board of directors on 29 March 2015 and approved by the shareholders at the Annual General Meeting held on 20 May 2015.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2015 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.

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 of the interim condensed consolidated financial information (continued)

2 Basis of preparation (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 2014.

Operating results for the nine-months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2014.

Certain subsidiaries are consolidated and share of results of certain associates are recorded based on the management accounts for the period ended 30 September 2015.

3 Significant accounting policies

The interim condensed consolidated financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2014. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although there are certain new standards and amendments which apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statement of the Group or the interim condensed consolidated financial information of the Group.

4 Income from investments

	Three months ended		Nine months ended	
	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through profit or loss	24	567	648	830
- From available for sale investments	1,681	685	13,962	14,868
Profit on sale of available for sale investments	3,539	7,412	7,602	16,653
Realised (loss)/gains on investments at fair value through profit or loss	(85)	911	406	1,258
Unrealised (loss)/gain on investments at fair value through profit or loss	(4,669)	2,355	(2,978)	4,915
	490	11,930	19,640	38,524

5 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Three months ended		Nine months ended	
	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Current tax expense				
Current period charge	(302)	(58)	(557)	(208)
Total	(302)	(58)	(557)	(208)

Notes of the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions (continued)

(b) KFAS, NLST and Zakat of local subsidiaries **

	Three months ended		Nine months ended	
	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Provision for National Labour Support Tax (NLST)	44	(95)	(211)	(495)
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	7	(47)	(103)	(198)
Provision for Zakat	6	(56)	(98)	(221)
	57	(198)	(412)	(914)
(c) Other taxation – local subsidiary ***	(73)	-	(289)	-
	(318)	(256)	(1,258)	(1,122)

*The above tax is calculated based on the tax law adopted in United Kingdom.

**The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current period (2014: Nil) as the net taxable results attributable to the Parent Company was a loss.

*** The above represents the provision for a potential tax liability of a local subsidiary related to dividend income received from investments in a GCC country.

6 Basic and diluted earnings per share attributable to the owners of the Parent Company

Earnings per share is calculated by dividing the 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		Nine months ended	
	30 Sept. 2015 (Unaudited)	30 Sept. 2014 (Unaudited)	30 Sept. 2015 (Unaudited)	30 Sept. 2014 (Unaudited)
Profit for the year attributable to the owners of the Parent Company (KD '000)	476	1,614	9,851	9,618
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,325,056,996	1,325,056,996	1,325,056,996	1,325,056,996
Basic and diluted earnings per share	0.4 Fils	1.2 Fils	7.4 Fils	7.3 Fils

Notes of the interim condensed consolidated financial information (continued)

7 Investment in associates

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

	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Balance at 1 January	330,968	294,406	294,406
Additions during the period/year	3,398	2,490	1,831
Share of results	17,851	41,720	11,811
Share of other comprehensive income	(6,291)	2,472	1,515
Dividend received	(10,569)	(9,122)	(7,349)
Disposal of associates	(4,304)	(3,284)	(3,136)
Impairment in value	(433)	(2,171)	(111)
Foreign currency translation adjustment	330	4,457	1,850
Other adjustments	-	-	(739)
Balance at the end of the period/year	330,950	330,968	300,078

During the period, the group partially disposed an insignificant stake in one of its quoted associates which resulted a gain of KD391 thousand (30 September 2014: KD1,140 thousand).

8 Investment Properties

During the period, one of the local subsidiaries of the Group has transferred one of its buildings with a carrying value of KD2.3 million from owner occupied property to investment properties based on the change in use as it was rented out in the current quarter.

9 Available for sale investments

	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Non Current			
Managed funds	122,229	123,335	165,163
Unquoted equity participations	211,389	200,156	176,234
Quoted shares	221,540	293,428	381,516
	555,158	616,919	722,913
Current			
Quoted shares	48,088	63,352	75,430
	603,246	680,271	798,343

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

Notes of the interim condensed consolidated financial information (continued)

9 Available for sale investments (continued)

- b) At the end of the period, the Group recognised a total impairment loss of KD2,608 thousand (30 September 2014 : KD8,835 thousand) for certain quoted and unquoted shares.
- c) Investments with a fair value of KD188,751 thousand (31 December 2014: KD200,309 thousand and 30 September 2014 : KD192,339 thousand) are secured against term borrowings.
- d) During June 2015, one of the local subsidiaries of the Group entered into an agreement with a foreign party to dispose foreign unquoted shares with a carrying value of KD27,624 thousand. However, the agreement is subject to preconditions which have not been met yet. As per the agreement the total expected net consideration amounted to approximately KD29,850 thousand (subject to tax charges) and the expected gain approximates to KD2.2 million. Consequently, the subsidiary received an advance payment of KD7,518 thousand from the total selling price which has been classified under “other liabilities” at the end of the current period. The management of the local subsidiary is currently finalising the extension of the pre-conditions satisfaction date, and expects to finalise the sale including transfer of shares within the next four months.
- e) During the period, the Group sold to its associates quoted investment with a carrying value of KD949 thousand for a consideration of KD975 thousand which resulted in a net gain of KD26 thousand and the consideration due has been reduced from the balance due to associates.

10 Investments at fair value through profit or loss

	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Held for trading :			
Quoted shares	25,617	32,969	37,935
Designated on initial recognition :			
Local funds	7,808	7,936	9,321
International managed portfolios and funds	46,577	18,801	18,287
	54,385	26,737	27,608
	80,002	59,706	65,543

Quoted shares, held by local subsidiaries, with a fair value of KD3,178 thousand (31 December 2014: KD9,840 thousand and 30 September 2014: KD12,810 thousand) are secured against borrowings.

11 Share capital, share premium, dividend distributions and non controlling interest

Share capital, and share premium

- a) As of 30 September 2015, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2014: 1,359,853,075 shares and 30 September 2014 : 1,359,853,075 shares).
- b) Share premium is not available for distribution.

Notes of the interim condensed consolidated financial information (continued)

11 Share capital, share premium, dividend distributions and non controlling interest (continued)

Dividend distribution

- c) At the Annual General Meeting held on 20 May 2015, the shareholders approved a cash dividend of 12% (2013: Nil) equivalent to 12 Fils per share and bonus share of Nil for the year ended 31 December 2014. At the Annual General Meeting held on 28 May 2014, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 64,754,908 shares of 100 Fils each amounting to KD6,475 thousand.

Non controlling interests

- f) During the period one of the subsidiaries of the Group increased its share capital from KD11,000 thousand to KD15,000 thousand (40,000 thousand shares with a par value of 100 fils and premium of 10 fils per each share). The Group did not subscribe for this increase and consequently the Group's shareholding in this subsidiary diluted from 100% to 73.32%. The proportionate carrying value of net assets on the date of dilution amounting to KD5,108 thousand has been transferred to non-controlling interest in the interim condensed consolidated statement of changes in equity. Consequently the difference between cash proceeds received and non controlling interests share of net assets on the date of dilution amounting to KD708 thousand has been recognized as a dilution loss in the interim condensed consolidated statement of changes in equity as of 30 September 2015.
- g) During September 2015, the shareholders of one of the local subsidiaries of the Group, decided to further decrease its share capital by KD4,000 thousand out of which KD1,733 thousand pertains to non-controlling interests. After completing its necessary formalities an amount of KD4,089 thousand including prior capital reductions (31 December 2014: KD3,932 thousand and 30 September 2014: KD3,912 thousand) has been paid to non-controlling interests and the balance amount is shown under accounts payable and other liabilities.

12 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 2015	8,542	1,694	18,452	(1,521)	27,167
Other comprehensive income:					
Currency translation differences	-	-	-	935	935
Balances at 30 September 2015	8,542	1,694	18,452	(586)	28,102
Balances at 1 January 2014	2,603	1,892	18,452	(4,395)	18,552
Other comprehensive income:					
Currency translation differences	-	-	-	3,069	3,069
Balances at 30 September 2014	2,603	1,892	18,452	(1,326)	21,621

Notes of the interim condensed consolidated financial information (continued)

13 Long term and short term borrowings

- a) One of the local subsidiary is currently in the process of rescheduling the original repayment plan of its loans amounting to KD106,845 thousand including an amount of KD29,490 thousand which was due within one year and KD77,355 thousand due after one year. Loan instalments totalling to KD 29,374 thousand (including an amount of KD14,687 thousand which has been paid during December 2014 and during 2015) from three lending bankers fell due and all three lenders have agreed to rollover the balance and continue discussions with the local subsidiary to reschedule the dues. The local subsidiary had submitted a debt reschedulement plan to all its lenders and had also requested from all of the lenders to extend the standstill agreements to 30 November 2015 as the restructuring is still in the process and to continue negotiations to reach an acceptable debt rescheduling solution. During the nine-month period ended 30 September 2015, the local subsidiary has received approval from majority of its lenders to whom an amount of KD62,286 thousand (58%) is payable at 30 September 2015, to the requested standstill till 30 November 2015 and is in discussions with the remaining lender as well for the requested standstill. As per the standstill approval letters, the subsidiary company should pay 50% of the third instalment and the remaining 50% (KD19,339 thousand) to be added to the outstanding loan for final restructuring.

Debt rescheduling may involve upfront settlement of part of the debts, providing collateral to the financiers over the Group assets, renegotiating the pricing and repayment period of credit facilities and other terms and restrictions usually associated with such debts rescheduling process.

- b) Short term borrowings as of 31 December 2014 included an amount of KD101,563 thousand (30 September 2014: KD101,607 thousand) of an Islamic syndicated loan and KD25,000 thousand (30 September 2014: KD 25,000 thousand) of a conventional loan which matured in August 2015.

During the current quarter, the Parent Company has rescheduled the conventional loan amounting to KD 25,000 thousand with the same local bank and it is now due in 2 years. Further, the Islamic syndicated loan amounting to KD 101,563 thousand have been settled from the proceeds obtained through two new facilities entered into, one of which is a Murabaha facility comprising of local and regional banks for an amount of KD85,130 thousand due in 3 years and the other is a conventional loan facility with a new foreign bank for an amount of KD20,000 thousand due in one year. Under the terms of the new facilities agreements, shares of one of the listed associates having a carrying value of KD117,340 thousand are kept in a custody portfolio account with specialised institutions.

Notes of the interim condensed consolidated financial information (continued)

14 Murabaha and wakala investments and cash and cash equivalents

14.1 Murabaha and wakala investments

	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Due from a local Islamic investment company/ due from related parties	14,324	14,324	14,324
Provision for impairment in value	(14,324)	(14,324)	(14,324)
Placed with local Islamic bank	-	-	-
	-	598	596
	-	598	596

No profit was recognised on impaired wakala investments during the current period (31 December 2014 and 30 September 2014 : Nil).

Wakala investment of KD14,324 thousand (31 December 2014: KD14,324 thousand and 30 September 2014: KD14,324 thousand) placed with a local Islamic investment company matured in 2008. The investee company defaulted on settlement of these balances on the maturity date.

During previous years, one of the local subsidiary's of the Group assumed the financial and legal obligations on wakala investments of KD9,968 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group initiated legal proceedings against the related parties to recover the amount including profits thereon. During the year 2014, the court of appeal had ordered the related parties to pay KD8,285 thousand with 7% profits thereon to the Group which has now been overturned by the Court of Cassation in favour of the related party during the period. The legal proceedings relating to the remaining amount is still in process.

14.2 Cash and cash equivalents

	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Short-term deposits	14,138	6,715	3,717
Bank balances and cash	35,592	53,354	45,501
Due to banks	(19,913)	(21,674)	(30,778)
	29,817	38,395	18,440
Less: Blocked balances	(325)	(2,837)	(2,610)
Short term deposits maturing after 3 months	(260)	-	-
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	29,232	35,558	15,830

Notes to the interim condensed consolidated financial information (continued)

15 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	30 Sept. 2015 KD '000	30 Sept. 2014 KD '000	30 Sept. 2015 KD '000	30 Sept. 2014 KD '000	30 Sept. 2015 KD '000	30 Sept. 2014 KD '000	30 Sept. 2015 KD '000	30 Sept. 2014 KD '000	30 Sept. 2015 KD '000	30 Sept. 2014 KD '000
Nine months ended										
Segment revenue	42,639	54,717	35,355	35,261	55,704	48,267	12,226	145,924	148,254	
Less:										
Income from investments										
Profit on disposal of associate								(19,640)	(38,524)	
Share of result of associates								(391)	(1,140)	
Realised gain on disposal of investment properties								(17,851)	(1,811)	
Rental income								-	(563)	
Interest and other income								(1,451)	(1,147)	
Sales, per interim condensed consolidated statement of profit or loss								(3,306)	(1,532)	
Segment profit/(loss)	29,635	35,240	6,233	5,739	5,630	2,308	(784)	103,285	93,537	
Less:										
Finance costs										
Other unallocated loss										
Profit before taxation and other statutory contributions, per interim condensed consolidated statement of profit or loss								(21,790)	(22,902)	
Segment assets	1,148,936	1,290,002	56,319	54,184	84,614	73,758	20,401	1,310,270	1,434,519	
Segment liabilities	(29,251)	(11,192)	(19,413)	(17,940)	(22,480)	(17,957)	(8,920)	(80,064)	(57,966)	
Segment net assets	1,119,685	1,278,810	36,906	36,244	62,134	55,801	11,481	1,230,206	1,376,553	
Borrowings and due to banks										
Total equity per interim condensed consolidated statement of financial position								(721,269)	(744,469)	
								508,937	632,084	

Notes of the interim condensed consolidated financial information (continued)

16 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:

	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (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	200	1,724	1,679
- Due from other related parties	916	955	916
- Due from key management personnel	233	233	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	550	1,419	788
- Due to other related parties	2,452	2,456	2,653
Current portion of long term borrowings – murabaha payable to an associate (included in short term borrowings)	-	15,040	15,047
	Three months ended		Nine months ended
	30 Sept. 2015 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000
			30 Sept. 2014 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss			
Finance cost charged by an associate	86	188	472
Management fees and placement fees earned from related parties	1	-	1
Gain on sale of available for sale investments to associates (note 9 e)	26	-	26
Cost of raw materials – from associates	747	1,026	2,847
			3,093
Compensation of key management personnel of the group			
Short term employee benefits	688	559	2,089
End of service benefits	123	492	291
	811	1,051	2,380
			3,820

17 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, leasing creditors and accounts payable and other liabilities).

Except for certain available for sale investments which are carried at cost (KD60,524 thousand), the carrying amounts of other financial assets and liabilities as at 30 September 2015, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

17 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 30 September 2015

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	31,318	31,318
Other managed portfolio	-	6,422	79,664	86,086
-Unquoted equity participations	-	14,425	141,265	155,690
-Quoted shares	230,479	39,149	-	269,628
Investment at fair value through profit or loss				
-Quoted shares	25,617	-	-	25,617
-Local funds	-	7,808	-	7,808
-International managed portfolios and funds	4,909	31,316	10,352	46,577
Total assets	261,005	99,120	262,599	622,724

At 31 December 2014

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	30,559	30,559
Other managed funds	-	10,528	77,423	87,951
-Unquoted equity participations	-	-	147,461	147,461
-Quoted shares	356,780	-	-	356,780
Investment at fair value through profit or loss				
-Quoted shares	32,969	-	-	32,969
-Local funds	-	7,936	-	7,936
-International managed portfolios and funds	-	-	18,801	18,801
Total assets	389,749	18,464	274,244	682,457

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

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

At 30 September 2014

	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	-	-	53,702	53,702
Other managed portfolio	-	9,079	94,341	103,420
-Unquoted equity participations	-	-	123,808	123,808
-Quoted shares	456,946	-	-	456,946
Investment at fair value through profit or loss				
-Quoted shares	37,935	-	-	37,935
-Local funds	-	9,321	-	9,321
-International managed portfolios and funds	-	-	18,287	18,287
Total assets	494,881	18,400	290,138	803,419

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:

	30 Sept. 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 Sept. 2014 (Unaudited) KD '000
Opening balance	274,244	279,517	279,517
Net change in fair value recognised in other comprehensive income	1,342	39,156	294
Impairment recognised in profit or loss	-	(8,560)	(2,888)
Net change in fair value recognised in profit or loss	(1,625)	(1,202)	824
Net addition/(disposals) during the period/year	(11,362)	(34,667)	12,391
Closing balance	262,599	274,244	290,138

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, except for certain quoted shares that have been fair valued based on valuation techniques as the Group's management believes that such valuations are more representative of the fair values of such investments based on the information available to the management. Accordingly these investments have been included under level 2.

18 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 30 September 2015 amounted to KD7,316 thousand (31 December 2014: KD6,906 thousand and 30 September 2014: KD7,774 thousand) of which assets managed on behalf of related parties amounted to KD4,674 thousand (31 December 2014: KD5,085 thousand and 30 September 2014 : KD5,542 thousand).

Notes of the interim condensed consolidated financial information (continued)

19 Contingent liabilities

During the period 30 September 2015, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD22,913 thousand (31 December 2014: KD30,589 thousand and 30 September 2014: KD Nil 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 KD33,299 thousand (31 December 2014: KD24,510 thousand and 30 September 2014: KD25,005 thousand).

21 Comparative information

Certain comparative figures has 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.