

Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 September 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 30 September 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 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 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 nine-month period ended 30 September 2020 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provision of law no 7 of 2010 concerning the Capital Market Authority and its related regulations during the nine-months period ended 30 September 2020 that might have had a material effect on the business or financial position of the Company.

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

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Sales		27,183	31,491	74,999	99,965
Cost of sales		(22,407)	(26,241)	(64,427)	(84,409)
Gross profit		4,776	5,250	10,572	15,556
Loss on disposal of indirect subsidiaries		-	-	-	(1,520)
Income/(loss) from investments	5	18,846	(4,501)	(28,061)	59,944
Share of results of associates	12	816	6,199	7,844	16,064
Gain on disposal of associates		-	-	-	1,488
Change in fair value of investment properties		-	-	(3,799)	-
Rental income		471	638	1,503	1,681
Interest and other income		620	167	2,146	2,144
Distribution costs		(1,730)	(1,915)	(5,627)	(6,188)
General, administrative and other expenses		(5,517)	(5,692)	(16,567)	(18,773)
Gain/(loss) on foreign currency exchange		280	(14)	(1,193)	(1,144)
		18,562	132	(33,182)	69,252
Finance costs		(5,806)	(7,427)	(18,148)	(22,637)
Impairment in value of goodwill and other intangible assets		-	-	-	(945)
Impairment in value of associates	12	-	(526)	-	(3,026)
Impairment in value of accounts receivables and other assets		(104)	(58)	(587)	(221)
Profit/(loss) before foreign taxation		12,652	(7,879)	(51,917)	42,423
Foreign taxation	6a	(70)	(74)	(152)	(409)
Profit/(loss) before provision for KFAS, NLST and Zakat		12,582	(7,953)	(52,069)	42,014
Provision (charge)/reversal for KFAS, NLST and Zakat	6b	(44)	381	(95)	(1,732)
Profit/(loss) for the period		12,538	(7,572)	(52,164)	40,282
Profit/(loss) for the period attributable to:					
Owners of the Parent Company		9,034	(7,399)	(55,111)	35,806
Non-controlling interests		3,504	(173)	2,947	4,476
		12,538	(7,572)	(52,164)	40,282
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	7	6.5 Fils	(5.3) Fils	(39.6) Fils	25.7 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. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Profit/(loss) for the period	12,538	(7,572)	(52,164)	40,282
Other comprehensive income/(loss):				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences:				
- Exchange differences arising on translation of foreign operations	1,275	1,343	(759)	(4,639)
- Transferred to interim condensed consolidated statement of profit or loss on disposal of associates	-	-	-	1,542
Share of other comprehensive income/(loss) of associates				
- Change in fair value	1,061	(7)	(2,229)	18
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	2,336	1,336	(2,988)	(3,079)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Defined benefit plan actuarial (losses)/ gain	(656)	415	(44)	240
Net changes in fair value of investments in equity instruments designated at FVOCI	4,584	(2,642)	31,001	(15,290)
Share of other comprehensive (loss)/income of associates	(5,791)	1,991	(6,765)	2,066
Total other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	(1,863)	(236)	24,192	(12,984)
Total other comprehensive income/(loss) for the period	473	1,100	21,204	(16,063)
Total comprehensive income/(loss) for the period	13,011	(6,472)	(30,960)	24,219
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Parent Company	7,642	(6,286)	(38,904)	24,515
Non-controlling interests	5,369	(186)	7,944	(296)
	13,011	(6,472)	(30,960)	24,219

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. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Assets				
Bank balances and cash	8	33,052	31,798	24,132
Short-term deposits	8	11,439	18,189	13,912
Wakala investments	9	-	1,000	1,000
Accounts receivable and other assets		55,968	50,776	55,486
Inventories		40,152	35,948	38,488
Financial assets at fair value through profit or loss	10	314,186	410,414	383,108
Assets held for sale	21	8,370	-	-
Financial assets at fair value through other comprehensive income	11	234,049	203,932	196,519
Right of use of leased assets		6,108	6,532	-
Investment properties		57,399	60,445	60,147
Investment in associates	12	316,717	324,781	323,021
Property, plant and equipment		90,779	91,177	94,793
Goodwill and other intangible assets		9,735	9,552	9,405
Total assets		1,177,954	1,244,544	1,200,011
Liabilities and equity				
Liabilities				
Due to banks	8	24,439	23,969	23,541
Accounts payable and other liabilities		73,737	69,190	69,417
Borrowings and bonds	13	604,183	628,603	610,224
Provisions		14,738	14,113	13,869
Total liabilities		717,097	735,875	717,051
Equity attributable to owners of the Parent Company				
Share capital	14	142,784	142,784	142,784
Share premium		122,962	122,962	122,962
Treasury shares		(30,375)	(30,375)	(30,375)
Cumulative changes in fair value		35,698	20,938	11,706
Other components of equity	15	32,616	32,260	21,998
Retained earnings		21,501	89,434	91,472
Equity attributable to owners of the Parent Company		325,186	378,003	360,547
Non-controlling interests		135,671	130,666	122,413
Total equity		460,857	508,669	482,960
Total liabilities and equity		1,177,954	1,244,544	1,200,011

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.

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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)
Issue of bonus shares	6,799	-	-	-	-	(6,799)	-	-	-
Dividend paid (Note 14 b)	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(8,189)	(8,189)
Adjustments arising on capital reduction of a subsidiary	-	-	-	-	-	-	-	(3,041)	(3,041)
Consolidation adjustments and other changes related to retained earnings and non-controlling interests	-	-	-	-	-	(753)	(753)	(3,459)	(4,212)
Total transactions with owners	6,799	-	-	-	-	(23,453)	(16,654)	(20,953)	(37,607)
Comprehensive income									
Profit for the period	-	-	-	-	-	35,806	35,806	4,476	40,282
Other comprehensive (loss)/income for the period (actuarial gain and others)	-	-	-	(9,702)	(1,829)	240	(11,291)	(4,772)	(16,063)
Total comprehensive (loss)/income for the period	-	-	-	(9,702)	(1,829)	36,046	24,515	(296)	24,219
Realised gain on equity investments at FVOCI	-	-	-	(271)	-	271	-	-	-
Balance at 30 September 2019	142,784	122,962	(30,375)	11,706	21,998	91,472	360,547	122,413	482,960

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

	Nine months ended 30 Sept. 2020 (Unaudited) KD '000	Nine months ended 30 Sept. 2019 (Unaudited) KD '000
OPERATING ACTIVITIES		
(Loss)/profit before foreign taxation	(51,917)	42,423
Adjustments for:		
Loss on disposal of indirect subsidiaries	-	1,520
Dividend income from financial assets at FVOCI	(1,232)	(3,151)
Share of results of associates	(7,844)	(16,064)
Gain on disposal of associates	-	(1,488)
Interest/profit on bank balances, short-term deposits and wakala investments	(530)	(726)
Net provision charged	625	296
Depreciation and amortisation	6,024	6,911
Changes in fair value of investment properties	3,799	-
Finance costs	18,148	22,637
Impairment in value of goodwill and other intangible assets	-	945
Impairment in value of associates	-	3,026
Impairment in value of accounts receivable and other assets	587	221
	(32,340)	56,550
Changes in operating assets and liabilities:		
Inventories	(4,229)	(1,901)
Accounts receivable and other assets	(5,513)	(1,162)
Financial assets at fair value through profit or loss	96,228	(18,395)
Accounts payable and other liabilities	2,490	(2,165)
	56,636	32,927
Taxation paid	(146)	(398)
KFAS, NLST and Zakat paid	(115)	(385)
Net cash from operating activities	56,375	32,144
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,792)	(4,993)
Addition to investment properties	(753)	(10,027)
Addition to investment in associates	(2,131)	(913)
Proceeds from disposal/capital reduction of associates	-	7,423
Dividend received from associates	6,599	7,851
Purchase of financial assets at FVOCI	(779)	(2,014)
Proceeds from sale of financial assets at FVOCI	1,663	8,946
Decrease in cash and cash equivalents on disposal of indirect subsidiaries	-	(684)
Dividend income received from financial assets at FVOCI	1,232	3,151
Decrease in short term deposits maturing after three months	1,791	400
Decrease in wakala investments	1,000	-
Interest/profit received from bank balances, short-term deposits and wakala investments	267	595
Net cash (used)/from investing activities	(3,903)	9,735

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. 2020 (Unaudited) KD '000	Nine months ended 30 Sept. 2019 (Unaudited) KD '000
FINANCING ACTIVITIES			
Net (decrease)/increase in borrowings		(24,420)	7,827
Dividend paid to owners of the Parent Company		(12,906)	(15,583)
Dividend paid to non-controlling interests		(2,934)	(8,189)
Finance costs paid		(16,338)	(22,790)
Change in non-controlling interests		(5)	(6,500)
Net cash used in financing activities		(56,603)	(45,235)
Net decrease in cash and cash equivalents		(4,131)	(3,356)
Net cash on asset held for sale		(15)	-
Translation difference		(29)	55
		(4,175)	(3,301)
Cash and cash equivalents at the beginning of the period		23,598	16,647
Cash and cash equivalents at the end of the period	8	19,423	13,346

The notes set out on pages 9 to 22 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 10 November 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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.

Notes to the interim condensed consolidated financial information (continued)

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.

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. The Group's management has assessed whether there is any significant decline in the fair value of the Group's investment properties as of 30 June 2020 and have concluded that certain properties located in Kuwait, Saudi Arabia and UAE have declined in value resulting in a loss on change in fair value by KD3,799 thousand and this has been recorded in this interim condensed consolidated financial information. 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 has also considered the potential impact of the current market volatility on reported amounts of the other financial and non-financial assets (including associates) and believe that they represent Managements best assessment based on current observable 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/recoverable value of investments and non-financial assets and thus Management is continuously revising their assumptions, estimates and judgments and also monitoring their liquidity position as events unfold.

Notes to the interim condensed consolidated financial information (continued)

5 Income/(loss) from investments

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Dividend income:				
- From financial assets at fair value through profit or loss	303	429	7,681	8,566
- From financial assets at fair value through other comprehensive income	698	143	1,232	3,151
Realised gain/(loss) on financial assets at fair value through profit or loss	579	3,186	(10,903)	7,739
Unrealised gain/(loss) on financial assets at fair value through profit or loss	17,266	(8,278)	(26,090)	40,427
Interest income on debt securities classified under financial assets at FVTPL	-	19	19	61
	18,846	(4,501)	(28,061)	59,944

6 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000
<i>Taxation of foreign subsidiaries</i>				
Current tax expense	(70)	(74)	(152)	(409)
Current period charge	(70)	(74)	(152)	(409)

(b) Provision (charge)/reversal for KFAS, NLST and Zakat

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	-	21	-	(297)
Provision for National Labour Support Tax (NLST)	-	247	-	(1,220)
Provision for Zakat	(44)	113	(95)	(215)
	(44)	381	(95)	(1,732)

Notes to the interim condensed consolidated financial information (continued)

7 Basic and diluted earnings/(loss) per share

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

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited)	30 Sept. 2019 (Unaudited)	30 Sept. 2020 (Unaudited)	30 Sept. 2019 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD '000)	9,034	(7,399)	(55,111)	35,806
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,391,309,848	1,391,309,848	1,391,309,848	1,391,309,848
Basic and diluted earnings/(loss) per share	6.5 Fils	(5.3) Fils	(39.6) Fils	25.7 Fils

8 Cash and cash equivalents

	30 Sept. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Bank balances and cash	33,052	31,798	24,132
Short-term deposits	11,439	18,189	13,912
Due to banks (Note 8 a)	(24,439)	(23,969)	(23,541)
	20,052	26,018	14,503
Less: Short term deposits maturing after 3 months	(623)	(2,414)	(1,151)
Blocked balances	(6)	(6)	(6)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	19,423	23,598	13,346

- 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 30 September 2019: KD619 thousand).

9 Wakala investments

Wakala investments of KD14,324 thousand (31 December 2019 and 30 September 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 September 2014, 2015, 2016 and 2017 respectively. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules. During the previous 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.

Notes to the interim condensed consolidated financial information (continued)

9 Wakala investments (continued)

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 thousand. The subsidiary company received partial 2nd, 3rd and 4th payment of KD200 thousand each during the current period as per the settlement agreements and remaining amount of KD200 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 KD600 thousand in accordance with Central Bank of Kuwait credit provisioning rules.

10 Financial assets at fair value through profit or loss

	30 Sept. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Quoted shares	206,285	240,190	220,150
Quoted debt securities (held in managed portfolios)	-	1,326	1,329
Unquoted equity participations	26,775	26,414	27,711
Managed portfolios and funds	81,126	142,484	133,918
	314,186	410,414	383,108

Quoted shares and managed funds, held by the Group, with a fair value of KD93,554 thousand (31 December 2019: KD163,476 thousand and 30 September 2019: KD148,410 thousand) are secured against borrowings.

11 Financial assets at fair value through other comprehensive income

	30 Sept. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Quoted shares	44,042	47,633	48,598
Unquoted equity participations	167,589	132,469	121,718
Managed portfolios and funds	22,418	23,830	26,203
	234,049	203,932	196,519

- 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.

Notes to the interim condensed consolidated financial information (continued)

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

- b) Quoted shares with a fair value of KD28,457 thousand (31 December 2019: KD32,473 thousand and 30 September 2019: KD32,340 thousand) and unquoted shares with a fair value of KD157 thousand (31 December 2019: KD96 thousand and 30 September 2019: KD96 thousand) are secured against bank borrowings (Note 13).

12 Investment in associates

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

	30 Sept. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Balance at 1 January	324,781	317,462	317,462
Additions during the period/year	2,131	2,997	913
Share of results	7,844	15,767	16,064
Disposal/capital reduction	-	(5,217)	(4,393)
Share of other comprehensive (loss)/income	(8,994)	9,971	2,084
Dividend distribution	(6,599)	(9,619)	(7,851)
Foreign currency translation adjustment	(2,446)	(3,804)	(4,073)
Impairment in value	-	(7,748)	(3,026)
Net additions due to deconsolidation of indirect subsidiaries	-	5,536	5,536
Other adjustments	-	(564)	305
Balance at the end of the period/year	316,717	324,781	323,021

13 Borrowings and bonds

Total borrowings and bonds are due as follows:

	30 Sept. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Bonds (Note 13 a)	55,000	25,000	25,000
Long term borrowings			
- Current portion of long-term borrowings	215,967	156,362	108,257
- Due after more than one year	236,043	282,374	283,194
Short term borrowings	97,173	164,867	193,773
	604,183	628,603	610,224

- 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.

Notes to the interim condensed consolidated financial information (continued)

14 Share capital and dividend distributions

a) Share capital

As of 30 September 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 and 30 September 2019: 1,427,845,728 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
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	356	356
Balances at 30 September 2020	19,950	6,382	18,452	(12,168)	32,616
Balances at 1 January 2019	15,011	1,443	18,452	(11,079)	23,827
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(2,623)	(2,623)
Exchange differences transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	-	-	-	794	794
Balances at 30 September 2019	15,011	1,443	18,452	(12,908)	21,998

Notes to the interim condensed consolidated financial information (continued)

16 Segmental analysis

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

[illegible]

16 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering and chemical		Hotel & IT services		Total	
	30 Sept. 2020 KD '000	30 Sept. 2019 KD '000	30 Sept. 2020 KD '000	30 Sept. 2019 KD '000	30 Sept. 2020 KD '000	30 Sept. 2019 KD '000	30 Sept. 2020 KD '000	30 Sept. 2019 KD '000	30 Sept. 2020 KD '000	30 Sept. 2019 KD '000
Nine months ended										
Segment revenue	(20,367)	79,801	25,003	36,033	40,244	54,277	9,752	9,655	54,632	179,766
Less:										
Loss on disposal of indirect subsidiaries									-	1,520
Loss/(income) from investments									28,061	(59,944)
Share of result of associates									(7,844)	(16,064)
Gain on disposal of associates									-	(1,488)
Change in fair value of investment properties									3,799	-
Rental income									(1,503)	(1,681)
Interest and other income									(2,146)	(2,144)
Sales, per interim condensed consolidated statement of profit or loss									74,999	99,965
Segment (loss)/profit	(29,858)	64,589	(1,631)	1,129	(1,148)	213	61	273	(32,576)	66,204
Less:										
Finance costs									(18,148)	(22,637)
Loss on foreign currency exchange									(1,193)	(1,144)
(Loss)/profit before foreign taxation									(51,917)	42,423
Segment assets	971,683	1,004,147	74,760	73,472	121,529	111,097	9,982	11,295	1,177,954	1,200,011
Segment liabilities	(32,861)	(26,841)	(27,714)	(23,458)	(22,927)	(27,216)	(4,973)	(5,771)	(88,475)	(83,286)
Segment net assets	938,822	977,306	47,046	50,014	98,602	83,881	5,009	5,524	1,089,479	1,116,725
Borrowings, bonds and due to banks									(628,622)	(633,765)
Total equity as per interim condensed consolidated statement of financial position									460,857	482,960

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:

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

	30 Sept. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 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	8,247	7,817	8,185
- Due from key management personnel	70	70	70
- Due from other related parties	1,698	1,990	1,125
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	20	416	468
- Due to other related parties	565	1,848	471

	Three months ended		Nine months ended	
	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss				
Loss on disposal of indirect subsidiaries	-	-	-	1,520
Impairment in value of associates	-	526	-	3026
Purchase of raw materials – from associates	328	483	1,222	2,298
Compensation of key management personnel of the Group				
Short term employee benefits	835	729	3,036	3,046
End of service benefits	45	31	122	188
Cost of share-based payment	-	-	260	99
Board of Directors' remuneration of subsidiaries	-	-	-	250
	880	760	3,418	3,583

18 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, wakala 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 30 September 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 30 September 2020

	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	206,285	-	-	206,285
- Unquoted equity participations	-	13,415	13,360	26,775
- Managed portfolios and funds	-	3,545	77,581	81,126
Financial assets at FVOCI				
- Quoted shares	44,042	-	-	44,042
- Unquoted equity participations	-	69,878	97,711	167,589
- Managed portfolios and funds	-	5,435	16,983	22,418
	250,327	92,273	205,635	548,235

At 31 December 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	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 30 September 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	220,150	-	-	220,150
- Quoted debt securities	1,329	-	-	1,329
- Unquoted equity participations	-	14,744	12,967	27,711
- Managed portfolios and funds	-	4,753	129,165	133,918
Financial assets at FVOCI				
- Quoted shares	48,598	-	-	48,598
- Unquoted equity participations	-	45,632	76,086	121,718
- Managed portfolios and funds	-	5,885	20,318	26,203
	270,077	71,014	238,536	579,627

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. 2020 (Unaudited) KD '000	31 Dec. 2019 (Audited) KD '000	30 Sept. 2019 (Unaudited) KD '000
Opening balance	265,627	236,471	236,471
Net change in fair value	4,873	31,724	10,356
Net (disposal)/additions during the period/year	(64,865)	(2,568)	(8,291)
Closing balance	205,635	265,627	238,536

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 30 September 2020 amounted to KD8,780 thousand (31 December 2019: KD9,874 thousand and 30 September 2019: KD9,055 thousand) of which assets managed on behalf of related parties amounted to KD2,701 thousand (31 December 2019: KD2,569 thousand and 30 September 2019: KD2,527 thousand).

Notes to the interim condensed consolidated financial information (continued)

20 Contingent liabilities and capital commitments

As at 30 September 2020, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD17,523 thousand (31 December 2019: KD18,916 thousand and 30 September 2019: KD22,107 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 KD16,499 thousand (31 December 2019: KD20,348 thousand and 30 September 2019: KD26,149 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 (included in accounts payable and other 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 decrease in cash and cash equivalents.