

Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 September 2014 (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 – KPSC (“The Parent Company”) and its Subsidiaries (together “the Group”) as of 30 September 2014 and the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of 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 matters

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, nor of the Articles and Memorandum of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2014 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
12 November 2014

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000
Continuing operations					
Sales		25,490	23,159	83,112	75,495
Cost of sales		(20,216)	(18,597)	(64,801)	(58,650)
Gross profit		5,274	4,562	18,311	16,845
Income from investments	3	11,930	7,489	38,524	39,663
Profit on disposal of associates	7	807	154	1,140	1,148
Share of results of associates		3,473	4,838	11,811	15,368
Realized gain on disposal of investment properties		-	-	563	-
Rent, interest and other income	4	1,449	2,372	4,248	6,867
Distribution costs		(1,331)	(1,011)	(3,805)	(3,126)
General, administrative and other expenses		(5,799)	(5,178)	(18,342)	(15,623)
(Loss)/gain on foreign currency exchange		(1,954)	550	(2,315)	(1,141)
		13,849	13,776	50,135	60,001
Finance costs		(7,730)	(8,086)	(22,902)	(26,092)
Impairment in value of investment in associate	7	-	-	(111)	(118)
Impairment in value of available for sale investments	8	(2,935)	(6,610)	(8,835)	(17,059)
Impairment in value of accounts receivables and other assets		-	-	(711)	(627)
Profit/(loss) before taxation		3,184	(920)	17,576	16,105
Taxation and other statutory contributions	5	(256)	(455)	(1,122)	(1,224)
Profit/(loss) from continuing operations		2,928	(1,375)	16,454	14,881
Discontinued operations					
Profit/(loss) for the period from discontinued operations	17	-	4	-	(72)
Profit/(loss) for the period		2,928	(1,371)	16,454	14,809
Attributable to :					
Owners of the parent company		1,614	60	9,618	10,494
Non-controlling interests		1,314	(1,431)	6,836	4,315
		2,928	(1,371)	16,454	14,809
Basic and diluted earnings per share attributable to the owners of the parent company					
	6				
- From continuing operations		1.2 Fils	-	7.3 Fils	7.9 Fils
- From discontinued operations		-	-	-	-
		1.2 Fils	-	7.3 Fils	7.9 Fils

Interim condensed consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000
Profit/(loss) for the period	2,928	(1,371)	16,454	14,809
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	678	(2,687)	4,341	(2,722)
Available for sale investments:				
- Net changes in fair value arising during the period	59,149	10,616	55,098	3,729
- Transferred to interim condensed consolidated statement of profit or loss on disposals	(4,456)	(4,004)	(11,131)	(17,783)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	2,935	6,610	8,835	17,059
Share of other comprehensive income of associates				
- Change in fair value	(3,112)	701	1,515	(973)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	55,194	11,236	58,658	(690)
Items not to be reclassified to profit or loss in subsequent periods				
Defined benefit plan actuarial gains/(loss)	670	(911)	947	(262)
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	670	(911)	947	(262)
Total other comprehensive income for the period	55,864	10,325	59,605	(952)
Total comprehensive income for the period	58,792	8,954	76,059	13,857
Total comprehensive income attributable to:				
Owners of the parent company	43,588	7,845	55,099	7,341
Non-controlling interests	15,204	1,109	20,960	6,516
	58,792	8,954	76,059	13,857

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 Sept. 2013 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		9,428	9,221	8,927
Property, plant and equipment		70,689	70,712	68,074
Investment in associates	7	300,078	294,406	292,947
Investment properties		55,050	49,943	29,159
Available for sale investments	8	722,913	673,285	654,032
Accounts receivable		2,220	2,086	2,211
Total non-current assets		1,160,378	1,099,653	1,055,350
Current assets				
Inventories		31,166	31,908	29,281
Available for sale investments	8	75,430	75,958	85,326
Accounts receivable and other assets		52,188	66,174	54,687
Murabaha and wakala investments	13	596	4,500	-
Investments at fair value through profit or loss	9	65,543	65,199	61,881
Short-term deposits	13	3,717	2,061	4,362
Bank balances and cash	13	45,501	32,253	41,954
Total current assets		274,141	278,053	277,491
Total assets		1,434,519	1,377,706	1,332,841
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	10	135,985	129,510	129,510
Treasury shares		(30,375)	(30,375)	(30,375)
Share Premium	10	122,962	122,962	122,962
Cumulative changes in fair value		205,904	164,439	138,605
Other components of equity	11	21,621	18,552	15,624
Retained earnings		14,950	10,344	13,143
Equity attributable to owners of the parent		471,047	415,432	389,469
Non-controlling interests		161,037	147,976	136,248
Total equity		632,084	563,408	525,717
Non-current liabilities				
Long-term borrowings	12	388,301	529,632	428,660
Leasing creditors		594	131	178
Provisions		13,026	12,688	15,180
Total non-current liabilities		401,921	542,451	444,018
Current liabilities				
Accounts payable and other liabilities		44,346	48,398	51,510
Short-term borrowings	12	325,390	200,375	287,580
Due to banks	13	30,778	23,074	24,016
Total current liabilities		400,514	271,847	363,106
Total liabilities		802,435	814,298	807,124
Total equity and liabilities		1,434,519	1,377,706	1,332,841

Sa'ad Mohammed Al-Sa'ad
Chairman



Ahmad Mohammed Hassan
Chief Executive Officer

Interim condensed consolidated statement of changes in equity

Equity attributable to the owners of the parent company

	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other Components of equity (Note 11) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling Interests KD '000	Total KD '000
Balance at 1 January 2014	129,510	(30,375)	122,962	164,439	18,552	10,344	415,432	147,976	563,408
Transactions with owners									
Issue of bonus shares (note 10b)	6,475	-	-	-	-	(6,475)	-	-	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(2,075)	(2,075)
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	516	516	(1,245)	(729)
Amount due to non-controlling interests on reduction of share capital of a subsidiary (Note 10d)	-	-	-	-	-	-	-	(3,912)	(3,912)
Net change in non-controlling interests	-	-	-	-	-	-	-	(667)	(667)
Total transactions with owners	6,475	-	-	-	-	(5,959)	516	(7,899)	(7,383)
Comprehensive income									
Profit for the period	-	-	-	-	-	9,618	9,618	6,836	16,454
Other comprehensive income for the period (actuarial gains and others)	-	-	-	41,465	3,069	947	45,481	14,124	59,605
Total comprehensive income for the period	-	-	-	41,465	3,069	10,565	55,099	20,960	76,059
Balance at 30 September 2014	135,985	(30,375)	122,962	205,904	21,621	14,950	471,047	161,037	632,084

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company								
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other Components of equity (Note 11) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2013	129,510	(30,375)	122,962	140,199	16,921	2,911	382,128	141,790	523,918
Transactions with owners									
Redemption of units of non-controlling interests of subsidiary	-	-	-	-	-	-	-	(1,229)	(1,229)
Net increase in non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	747	747
Redemption of share capital by non controlling interests of subsidiary	-	-	-	-	-	-	-	(6,642)	(6,642)
Dividend paid to non controlling interests of subsidiaries	-	-	-	-	-	-	-	(4,558)	(4,558)
Net change in non-controlling interests	-	-	-	-	-	-	-	(376)	(376)
Total transactions with owners	-	-	-	-	-	-	-	(12,058)	(12,058)
Comprehensive income									
Profit for the period	-	-	-	-	-	10,494	10,494	4,315	14,809
Other comprehensive income for the period (actuarial gains and others)	-	-	-	(1,594)	(1,297)	(262)	(3,153)	2,201	(952)
Total comprehensive income for the period	-	-	-	(1,594)	(1,297)	10,232	7,341	6,516	13,857
Balance at 30 September 2013	129,510	(30,375)	122,962	138,605	15,624	13,143	389,469	136,248	525,717

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2014 (Unaudited) KD '000	(Restated) Nine months ended 30 Sept. 2013 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before taxation	17,576	16,105
Adjustments for :		
Depreciation of property, plant and equipment	4,900	5,017
Realised gain on disposal of investment properties	(563)	-
Loss on disposal of property, plant and equipment	-	19
Share of results of associates	(11,811)	(15,368)
Profit on disposal of associates	(1,140)	(1,148)
Impairment in value of investments in associate	111	118
Dividend income from available for sale investments	(14,868)	(19,739)
Effect on unwinding discount of account receivables	-	(283)
Impairment in value of available for sale investments	8,835	17,059
Impairment in value of accounts receivables and other assets	711	627
Profit on sale of available for sale investments	(16,653)	(16,743)
Net provision released	338	41
Finance costs	22,902	26,092
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(357)	(332)
	9,981	11,465
Changes in operating assets and liabilities:		
Inventories	742	(3,637)
Accounts receivable and other assets	13,815	2,723
Investments at fair value through profit or loss	(344)	111
Accounts payable and other liabilities	(1,330)	(464)
Cash from operations	22,864	10,198
Taxation paid	(245)	(208)
KFAS, Zakat & NLST paid	(878)	(565)
Net cash from operating activities	21,741	9,425

The notes set out on pages 9 to 23 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. 2014 (Unaudited) KD '000	(Restated) Nine months ended 30 Sept. 2013 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,502)	(4,021)
Purchase of investment properties		(9,683)	(3,900)
Proceeds from sale of investment properties		5,139	-
Proceeds from disposal of associates		4,276	6,299
Addition to investment in associates		(1,831)	(6,696)
Dividend received from associates		7,349	8,201
Purchase of available for sale investments		(21,972)	(19,957)
Proceeds from sale of available for sale investments		34,319	57,832
Decrease in wakala investments maturing after three months		3,904	11,293
(Increase)/decrease in block balances		(1,186)	3,954
Dividend income received from available for sale investments		14,868	19,739
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		255	168
Net cash from investing activities		30,936	72,912
FINANCING ACTIVITIES			
Finance lease receipts/(payment)		500	(14)
Net increase/(decrease) in long-term borrowings		(20,723)	(4,107)
Net decrease in short-term borrowings		4,407	(59,911)
Dividend paid to owners of the parent		(83)	(44)
Finance costs paid		(22,930)	(25,239)
Decrease in non-controlling interests		(7,899)	(12,058)
Net cash used in financing activities		(46,728)	(101,373)
Net increase/(decrease) in cash and cash equivalents		5,949	(19,036)
Translation difference		65	(14)
Cash and cash equivalents at beginning of the period		6,014	(19,050)
Cash and cash equivalents at end of the period	13	15,830	37,608

The notes set out on pages 9 to 23 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 Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the “Companies Law”), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013.

On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

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 12 November 2014.

2 Basis of preparation and significant accounting policies

Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

Basis of preparation (continued)

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.

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 2013.

Operating results for the nine months period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2013.

Changes to accounting policies

Adoption of new IASB Standards and amendments during the period

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and amendments effective as of 1 January 2014.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014

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

IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendment did not result in any material impact on the Group's interim condensed consolidated financial information.

Notes to the interim condensed financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term ‘investment entity’, provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Amendment makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

IFRIC 21 ‘Levies’ (IFRIC 21)

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government’s legislation. If this activity arises on specific date within an accounting period then the entire obligation is recognised on that date
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions but the adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

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

3 Income from investments

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through profit or loss	567	13	830	220
- From available for sale investments	685	1,616	14,868	19,739
Profit on sale of available for sale investments	7,412	3,511	16,653	16,743
Realised gains on investments at fair value through profit or loss	911	186	1,258	442
Unrealised gain on investments at fair value through profit or loss	2,355	2,163	4,915	2,519
	11,930	7,489	38,524	39,663

Notes of the interim condensed consolidated financial information (continued)

4 Rent, interest and other income

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	140	69	357	332
Income from financing of future trade by customers	101	107	269	358
Net income from hotel operation and IT services of subsidiaries	554	599	1,569	1,618
Effect of unwinding of discount on receivables	-	47	-	283
Rental income	390	398	1,147	1,240
Reversal of impairment provision on wakala investment	-	874	-	874
Reversal of impairment provision on accounts receivable	-	-	-	694
Management, placement fees and other income	264	278	906	1,468
	1,449	2,372	4,248	6,867

5 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000
Current tax expense				
Current period charge	(58)	(362)	(208)	(440)
Total	(58)	(362)	(208)	(440)

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

Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(47)	5	(198)	(173)
Provision for National Labour Support Tax (NLST)	(95)	(68)	(495)	(438)
Provision for Zakat	(56)	(30)	(221)	(173)
	(198)	(93)	(914)	(784)
	(256)	(455)	(1,122)	(1,224)

*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 (2013: Nil) as the net taxable results attributable to the parent company was a loss.

Notes of the interim condensed consolidated financial information (continued)

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

Earnings per share are 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. 2014 (Unaudited)	(Restated) 30 Sept. 2013 (Unaudited)	30 Sept. 2014 (Unaudited)	(Restated) 30 Sept. 2013 (Unaudited)
Profit /(loss) for the period attributable to the owners of the parent (KD '000)				
- from continuing operations	1,614	56	9,618	10,566
- from discontinued operations	-	4	-	(72)
Total	1,614	60	9,618	10,494
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,325,056,997	1,325,056,997	1,325,056,997	1,325,056,997
Basic and diluted earnings per share				
- from continuing operations	1.2 Fils	-	7.3 Fils	7.9 Fils
- from discontinued operations	-	-	-	-
Total	1.2 Fils	-	7.3 Fils	7.9 Fils

The weighted average numbers of shares outstanding during the previous periods have been restated to add the bonus shares issued during the period (Note 10).

The earnings per share reported during the previous period for the three months and nine months ended 30 September 2013 were Nil and 8.3 Fils respectively.

7 Investment in associates

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

	30 Sept. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 Sept. 2013 (Unaudited) KD '000
Balance at 1 January	294,406	287,497	287,497
Additions during the period/year	1,831	10,820	7,114
Share of results	11,811	18,398	15,368
Share of other comprehensive income	1,515	2,702	(973)
Dividend received	(7,349)	(8,201)	(8,201)
Disposal of associates	(3,136)	(6,131)	(5,151)
Impairment in value	(111)	(118)	(118)
Reclassification	-	(5,084)	-
Foreign currency translation adjustment	1,850	(3,349)	(2,888)
Other adjustments	(739)	(2,128)	299
Balance at the end of the period/year	300,078	294,406	292,947

Notes of the interim condensed consolidated financial information (continued)

7 Investment in associates (continued)

A major portion of an associate with a carrying value of KD93,019 thousand (31 December 2013: KD90,233 thousand and 30 September 2013: KD87,758 thousand) have been subject to an exchangeable options to the lenders of the group.

During the period, the group partially disposed an insignificant stake in one of its quoted associate's which resulted in a gain of KD1,140 thousand.

8 Available for sale investments

	30 Sept. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 Sept. 2013 (Unaudited) KD '000
Non Current			
Managed funds	165,163	155,127	172,381
Unquoted equity participations	176,234	177,823	195,749
Quoted shares	381,516	340,335	285,902
	722,913	673,285	654,032
Current			
Quoted shares	75,430	75,958	85,326
	798,343	749,243	739,358

- The quoted shares classified as current represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.
- At the end of the period, the group recognised a total impairment loss of KD8,835 thousand (30 September 2013: KD17,059 thousand) for certain quoted and unquoted shares.
- Quoted shares with a fair value of KD192,339 thousand (31 December 2013: KD169,526 thousand and 30 September 2013: KD141,725 thousand) are secured against term loans.

9 Investments at fair value through profit or loss

	30 Sept. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 Sept. 2013 (Unaudited) KD '000
Held for trading :			
Quoted shares and debt instruments	37,935	38,113	35,893
Designated on initial recognition :			
Local funds	9,321	11,030	10,879
International managed portfolios and funds	18,287	16,056	15,109
	27,608	27,086	25,988
	65,543	65,199	61,881

Quoted shares, held by local subsidiaries, with a fair value of KD12,810 thousand (31 December 2013: KD11,502 thousand and 30 September 2013: KD12,842 thousand) are secured against borrowings.

Notes of the interim condensed consolidated financial information (continued)

10 Share capital and share premium

- As of 30 September 2014, 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 2013 and 30 September 2013: 1,295,098,167 shares).
- 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.
- Share premium is not available for distribution.
- On 5 March 2014, the shareholders of one of the subsidiaries of the Group decided to further decrease its share capital by KD9,000 thousand out of which KD3,912 thousand pertains to non-controlling interests. An amount of KD3,580 thousand has been paid to non-controlling interests and the balance amount is shown under accounts payable and other liabilities.

11 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2014	2,603	1,892	18,452	(4,395)	18,552
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	3,069	3,069
Balances at 30 September 2014	2,603	1,892	18,452	(1,326)	21,621
Balances at 1 January 2013	1,232	507	18,452	(3,270)	16,921
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(1,297)	(1,297)
Balances at 30 September 2013	1,232	507	18,452	(4,567)	15,624

12 Long term and short term borrowings

- During the period, the group has reclassified Islamic financing arrangements amounting to KD101,607 thousand and conventional borrowings amounting to KD25,000 thousand to short term borrowings from long term borrowings as these loans are maturing within one year.
- During 2011 and 2012, a local subsidiary of the Group restructured its financing arrangements with local banks and accordingly loans amounting to KD116,032 thousand (net of repayment of KD38,678 thousand) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be fully secured. As of 30 September 2014, these are partly secured and the process of identification and securitization of the required balance investment portfolio is currently underway. The subsidiary is currently in process of rescheduling existing repayment plan of its loans amounting to KD116,032 thousand including KD38,678 thousand due within one year and KD77,355 thousand due after one year. Subsequent to the reporting date, the subsidiary has received a rollover confirmation from the lead bank to reschedule KD15,624 thousand that was due in the last week of September 2014 till end of January 2015 and from another lender bank for another amount of KD2,750 thousand that was due in October 2014 till end of December 2014. These two lending banks have already confirmed in principle approval to a rescheduling. The rescheduling is expected to be formalised by the end of the current year and affect the existing repayment plan and amounts due within one year.

Notes of the interim condensed consolidated financial information (continued)

13 Murabaha and wakala investments and cash and cash equivalents

13.1 Murabaha and wakala investments

	30 Sept. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 Sept. 2013 (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	596	4,500	-
	596	4,500	-

No profit was recognised on impaired wakala investments during the current period (31 December 2013 and 30 September 2013: Nil).

Wakala investment of KD14,324 thousand (31 December 2013: KD14,324 thousand and 30 September 2013: 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. Full provision has been made for these receivables in accordance with the Central Bank of Kuwait credit provisioning rules.

During previous years, one of the local subsidiary's of the group violated Articles 148 and 151 of the Commercial Companies Law of 1960 when it assumed the financial and legal obligations on wakala investments of KD9,968 thousand that the subsidiary had placed with an 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 had initiated legal proceedings against the parties to recover KD9,968 thousand including profits thereon. During the period, the court of appeal has ordered the related parties to pay KD8,285 thousand with 7% profits thereon to the Group. However, the related parties submitted appeals to the court of cassation against the order of the court of appeal. The legal proceeding relating to KD1,683 thousand are still in process.

13.2 Cash and cash equivalents

	30 Sept. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 Sept. 2013 (Unaudited) KD '000
Short-term deposits	3,717	2,061	4,362
Bank balances and cash	45,501	32,253	41,954
Due to banks	(30,778)	(23,074)	(24,016)
	18,440	11,240	22,300
Less: Blocked balances	(2,610)	(1,424)	(3,742)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	15,830	9,816	18,558

Notes of the interim condensed consolidated financial information (continued)

14 Segmental analysis

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

	Investment		Building materials		Specialist engineering		Total	
	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000
Three months ended								
Segment revenue	17,659	14,853	10,680	9,777	14,810	13,382	43,149	38,012
Less:								
Income from investments							(11,930)	(7,489)
Share of results of associates							(3,473)	(4,838)
Profit on disposal of associates							(607)	(154)
Rent, interest and other income							(1,449)	(2,372)
Sales, as per interim condensed consolidated statement of profit or loss							25,490	23,159
Segment profit	11,098	4,908	1,637	1,100	133	608	12,868	6,616
Less:								
Finance costs							(7,730)	(8,086)
Other unallocated (expenses)/income							(1,954)	550
Profit/(loss) for the period before taxation and other statutory contributions as per the interim condensed consolidated statement of profit or loss							3,184	(920)

Notes to the interim condensed consolidated financial information (continued)

14 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Total	
	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	(Restated) 30 Sept. 2013 (Unaudited) KD '000
Nine months ended								
Segment revenue	56,286	63,046	35,261	31,740	47,851	43,755	139,398	138,541
Less:								
Income from investments							(38,524)	(39,663)
Share of results of associates							(11,811)	(15,368)
Profit on disposal of associates							(1,140)	(1,148)
Realized gain on disposal of investment properties							(563)	-
Rent, interest and other income							(4,248)	(6,867)
Sales, per the interim condensed consolidated statement of profit or loss							83,112	75,495
Segment profit	34,746	34,919	5,739	4,958	2,308	3,461	42,793	43,338
Less:								
Finance costs							(22,902)	(26,092)
Other unallocated expenses							(2,315)	(1,141)
Profit for the period before taxation and other statutory contributions as per the interim condensed consolidated statement of profit or loss							17,576	16,105
Segment assets	1,298,004	1,206,459	62,757	52,842	73,758	73,540	1,434,519	1,332,841
Segment liabilities	(22,069)	(21,860)	(17,940)	(15,753)	(17,957)	(29,255)	(57,966)	(66,868)
Segment net asset	1,275,935	1,184,599	44,817	37,089	55,801	44,285	1,376,553	1,265,973
Borrowings and due to banks							(744,469)	(740,256)
Total equity, per interim condensed consolidated statement of financial position							632,084	525,717

Notes of the interim condensed consolidated financial information (continued)

15 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. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 Sept. 2013 (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	1,679	2,331	5,255	
- Due from other related parties	916	1,068	1,059	
- Due from key management personnel	233	233	233	
Due to related parties (included in accounts payable and other liabilities)				
- Due to associates	788	279	9,688	
- Due to other related parties	2,653	1,698	375	
Long term borrowings – murabaha payable to an associate (included in short term borrowings as of 30 September 2014)	15,047	15,069	15,076	
	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2013 (Unaudited) KD '000	30 Sept. 2014 (Unaudited) KD '000	30 Sept. 2013 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss				
Finance cost charged by an associate	188	249	559	740
Management fees and placement fees earned from related parties	-	18	8	142
Cost of raw materials – from associates	1,026	493	3,093	3,098
Compensation of key management personnel of the group				
Short term employee benefits	559	797	2,144	2,479
End of service benefits	492	175	1,676	226
	1,051	972	3,820	2,705

16 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 (KD60,467 thousand), the carrying amounts of other financial assets and liabilities as at 30 September 2014, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

16 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 nine 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 2014

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	c	-	-	53,702	53,702
Other managed portfolio	c	-	9,079	94,341	103,420
-Unquoted equity participations	d	-	-	123,808	123,808
-Quoted shares	a	456,946	-	-	456,946
Investment at fair value through profit or loss					
-Quoted shares	a	37,935	-	-	37,935
-Local funds	b	-	9,321	-	9,321
-International managed portfolios and funds	e	-	-	18,287	18,287
Total assets		494,881	18,400	290,138	803,419

At 31 December 2013

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	c	-	-	54,610	54,610
Other managed funds	c	-	8,942	82,355	91,297
-Unquoted equity participations	d	-	-	126,496	126,496
-Quoted shares	a	416,293	-	-	416,293
Investment at fair value through profit or loss					
-Quoted shares	a	37,837	-	-	37,837
- Quoted debt instruments	a	276	-	-	276
-Local funds	b	-	11,030	-	11,030
-International managed portfolios and funds	e	-	-	16,056	16,056
Total assets		454,406	19,972	279,517	753,895

Notes of the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

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

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. 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000
Opening balance	279,517	319,317
Net change in fair value recognised in other comprehensive income	294	(1,143)
Impairment recognised in profit or loss	(2,888)	(8,748)
Net change in fair value recognised in profit or loss	824	2,115
Net addition/(disposals) during the period/year	12,391	(33,529)
Reclassified from carried at cost to fair valued investments	-	1,505
Closing balance	290,138	279,517

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

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period and are as follows:

Financial instruments in level 1

a) Quoted shares & debt instruments (level 1)

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

Financial instruments in level 2 & 3

b) Local funds (level 2)

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

c) Foreign funds (level 2)

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

Other managed portfolios (level 3)

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

Notes of the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

Financial instruments in level 2 & 3 (continued)

d) Unquoted equity participations (level 3)

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

e) International managed portfolios and funds (level 3)

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

17 Discontinued operations

The Group's discontinued operations comprise of operations of two of its subsidiaries (Diamond H Controls Limited disposed in October 2013 and BD Electric (Shenzhou) Limited put into liquidation in September 2013) and the operating losses of those two subsidiaries are summarised below:

	Three months ended 30 Sept. 2013 KD '000	Nine months ended 30 Sept. 2013 KD '000
Sales	329	788
Cost of sales	(297)	(683)
Gross profit	32	105
Distribution costs	14	(42)
General, administrative and other expenses	(37)	(87)
	9	(24)
Finance costs	(5)	(48)
Profit/(loss) for the period from discontinued operations	4	(72)

18 Annual general assembly and dividend distributions

The Annual General Assembly of the Parent Company's shareholders held on 28 May 2014, approved the Consolidated financial statements for the year ended 31 December 2013.

The AGM also approved distribution of bonus shares of 5% of the Parent Company's paid up share capital to the share holders registered in the Parent Company's record as at the AGM date for the year ended 31 December 2013.

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 2014 amounted to KD7,774 thousand (31 December 2013: KD6,804 thousand and 30 September 2013: KD7,901 thousand) of which assets managed on behalf of related parties amounted to KD5,542 thousand (31 December 2013: KD4,234 thousand and 30 September 2013: KD4,349 thousand).

Notes of the interim condensed consolidated financial information (continued)

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 KD25,005 thousand (31 December 2013: KD25,438 thousand and 30 September 2013: KD23,225 thousand).

21 Comparative information

The comparative interim condensed consolidated statement of profit or loss has been re-presented as if an operation discontinued during the previous year has been discontinued from the start of the comparative year (refer note 17).

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