

Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 June 2016 (Unaudited)

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Auditors & Consultants

Souq Al Kabeer Building, Block A, 9th Floor
P.O.Box 2986, Safat 13030, Kuwait
Tel: (965)2244 3900-9
Fax: (965) 2243 8451
E-mail: gt@kw.gt.com
www.grantthornton.com.kw

P.O. Box : 5506 Safat- 13056 Kuwait
Tel: 22432082/3/4
Fax: 22402640

E-mail: mail.kw@parkerrandall.com

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 June 2016 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-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 the Executive Regulations of Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2016 that might have had a material effect on the business or financial position of the Group.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



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

Kuwait
11 August 2016

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Six months ended	
		30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000
Sales		26,038	37,417	56,119	71,547
Cost of sales		(21,717)	(28,708)	(46,520)	(54,652)
Gross profit		4,321	8,709	9,599	16,895
Income from investments	4	4,215	8,730	5,984	19,150
Share of results of associates	7	5,319	6,331	11,293	12,744
Realised gain on disposal of investment properties		50	-	50	-
Rental income		608	485	1,209	848
Interest and other income		420	595	850	965
Distribution costs		(1,756)	(1,799)	(3,508)	(3,468)
General, administrative and other expenses		(5,253)	(5,787)	(10,260)	(11,820)
(Loss)/gain on foreign currency exchange		(16)	(1,148)	403	(3,651)
		7,908	16,116	15,620	31,663
Finance costs		(6,808)	(7,598)	(13,646)	(14,757)
Impairment in value of available for sale investments	8	(4,313)	(1,198)	(4,724)	(2,031)
Impairment in value of investment in associates	7	-	(44)	-	(44)
Impairment in value of accounts receivables and other assets		(537)	(6)	(537)	(6)
(Loss)/profit before foreign taxation		(3,750)	7,270	(3,287)	14,825
Foreign taxation	5a	(124)	(322)	(183)	(471)
(Loss)/profit before KFAS, NLST and Zakat		(3,874)	6,948	(3,470)	14,354
Reversal of/(provision for) KFAS, NLST and Zakat	5b	12	(298)	(60)	(469)
(Loss)/profit for the period		(3,862)	6,650	(3,530)	13,885
Attributable to :					
Owners of the parent company		(4,744)	3,459	(4,358)	9,375
Non-controlling interests		882	3,191	828	4,510
		(3,862)	6,650	(3,530)	13,885
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company	6	(3.6) Fils	2.6 Fils	(3.3) Fils	7.1 Fils

The notes set out on pages 9 to 21 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		Six months ended	
	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000
(Loss)/profit for the period	(3,862)	6,650	(3,530)	13,885
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	2,093	(650)	1,419	786
Available for sale investments:				
- Net changes in fair value arising during the period	3,245	(2,388)	(30,697)	(6,117)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	(4,538)	(1,395)	(4,748)	(3,415)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	4,313	1,198	4,724	2,031
Share of other comprehensive income of associates				
- Change in fair value	(695)	147	(99)	(4,712)
Total other comprehensive income to be reclassified to profit or loss in subsequent period:	4,418	(3,088)	(29,401)	(11,427)
Items not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan actuarial (losses)/gains	(621)	(38)	(302)	175
Total other comprehensive income not being reclassified to profit or loss in subsequent periods:	(621)	(38)	(302)	175
Total other comprehensive income for the period	3,797	(3,126)	(29,703)	(11,252)
Total comprehensive income for the period	(65)	3,524	(33,233)	2,633
Total comprehensive income attributable to:				
Owners of the parent company	(5,237)	1,012	(32,643)	(111)
Non-controlling interests	5,172	2,512	(590)	2,744
	(65)	3,524	(33,233)	2,633

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		12,380	12,823	17,507
Property, plant and equipment		71,822	70,668	71,103
Investment in associates	7	341,470	337,187	334,718
Investment properties		73,313	69,482	65,287
Available for sale investments	8	463,682	493,909	615,711
Accounts receivable		1,123	1,550	2,314
Total non-current assets		963,790	985,619	1,106,640
Current assets				
Inventories		36,273	34,054	35,047
Available for sale investments	8	38,564	47,328	55,946
Accounts receivable and other assets	9	63,766	87,264	51,719
Murabaha and wakala investments	14	-	1,000	3,004
Investments at fair value through profit or loss	10	77,252	84,033	82,332
Short-term deposits	14	7,382	16,661	19,700
Bank balances and cash	14	29,609	43,383	28,568
Total current assets		252,846	313,723	276,316
Total assets		1,216,636	1,299,342	1,382,956
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	11	135,985	135,985	135,985
Treasury shares		(30,375)	(30,375)	(30,375)
Share premium	11	122,962	122,962	122,962
Cumulative changes in fair value		66,800	96,378	150,832
Other components of equity	12	30,422	28,827	27,459
Retained earnings		12,105	30,225	16,792
Equity attributable to owners of the parent company		337,899	384,002	423,655
Non-controlling interests		125,829	128,909	149,300
Total equity		463,728	512,911	572,955
Non-current liabilities				
Long-term borrowings	13	415,233	437,845	366,707
Leasing creditors		271	424	478
Provisions		15,478	15,436	15,035
Total non-current liabilities		430,982	453,705	382,220
Current liabilities				
Accounts payable and other liabilities		49,024	49,621	70,220
Short-term borrowings	13	248,429	263,190	337,436
Due to banks	14	24,473	19,915	20,125
Total current liabilities		321,926	332,726	427,781
Total liabilities		752,908	786,431	810,001
Total equity and liabilities		1,216,636	1,299,342	1,382,956

Sa'ad Mohammed Al-Sa'ad
Chairman



Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

Equity attributable to the owners of the parent company

	Share capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 12) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2016	135,985	(30,375)	122,962	96,378	28,827	30,225	384,002	128,909	512,911
Transactions with owners									
Increase in non-controlling interests of an indirect subsidiary (Note 11d)	-	-	-	-	-	(209)	(209)	2,049	1,840
Dividend paid (Note 11c)	-	-	-	-	-	(13,251)	(13,251)	-	(13,251)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,817)	(4,817)
Other changes in non-controlling interests	-	-	-	-	-	-	-	278	278
Total transactions with owners	-	-	-	-	-	(13,460)	(13,460)	(2,490)	(15,950)
Comprehensive income									
(Loss)/profit for the period	-	-	-	-	-	(4,358)	(4,358)	828	(3,530)
Other comprehensive income for the period (actuarial losses and others)	-	-	-	(29,578)	1,595	(302)	(28,285)	(1,418)	(29,703)
Total comprehensive income for the period	-	-	-	(29,578)	1,595	(4,660)	(32,643)	(590)	(33,233)
Balance at 30 June 2016	135,985	(30,375)	122,962	66,800	30,422	12,105	337,899	125,829	463,728

The notes set out on pages 9 to 21 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							Non-controlling interests KD '000	Total KD '000
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other Components of equity (Note 12) KD '000	Retained earnings KD '000	Sub-Total KD '000		
Balance at 1 January 2015	135,985	(30,375)	122,962	160,785	27,167	23,849	440,373	146,729	587,102
Transactions with owners									
Increase in non-controlling interests of an indirect subsidiary (Note 11d)	-	-	-	-	-	(706)	(706)	5,106	4,400
Dividend paid	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,975)	(4,975)
Other changes in non-controlling interests	-	-	-	-	-	-	-	(304)	(304)
Total transactions with owners	-	-	-	-	-	(16,607)	(16,607)	(173)	(16,780)
Comprehensive income									
Profit for the period	-	-	-	-	-	9,375	9,375	4,510	13,885
Other comprehensive income for the period (actuarial gains and others)	-	-	-	(9,953)	292	175	(9,486)	(1,766)	(11,252)
Total comprehensive income for the period	-	-	-	(9,953)	292	9,550	(111)	2,744	2,633
Balance at 30 June 2015	135,985	(30,375)	122,962	150,832	27,459	16,792	423,655	149,300	572,955

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2016 (Unaudited) KD '000	Six months ended 30 June 2015 (Unaudited) KD '000
OPERATING ACTIVITIES		
(Loss)/profit before foreign taxation	(3,287)	14,825
Adjustments for :		
Depreciation and amortisation	3,570	3,327
Realised gain on disposal of investment properties	(50)	-
Share of results of associates	(11,293)	(12,744)
Impairment in value of investments in associate	-	44
Dividend income from available for sale investments	(5,496)	(12,025)
Impairment in value of available for sale investments	4,724	2,031
Impairment in value of accounts receivable and other assets	537	6
Profit on sale of available for sale investments	(1,374)	(4,063)
Net provision charged/(released)	42	(774)
Finance costs	13,646	14,757
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(275)	(226)
	744	5,158
Changes in operating assets and liabilities:		
Inventories	(2,219)	(3,024)
Accounts receivable and other assets	23,697	18,672
Investments at fair value through profit or loss	6,781	(22,626)
Accounts payable and other liabilities	992	11,978
Cash from operations	29,995	10,158
Taxation paid	(159)	(151)
KFAS, NLST and Zakat paid	(28)	(470)
Net cash from operating activities	29,808	9,537

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Six months ended 30 June 2016 (Unaudited) KD '000	Six months ended 30 June 2015 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,744)	(3,783)
Addition to investment properties		(5,531)	(3,862)
Addition to investment in associates		(528)	(3,197)
Dividend received from associates		7,220	8,321
Purchase of available for sale investments		(6,524)	(8,851)
Proceeds from sale of available for sale investments		11,444	11,996
Proceeds from sale of investment properties		1,750	-
Decrease/(increase) in wakala investments maturing after three months		1,000	(2,406)
Increase of short term deposit maturing after three months		-	(1,059)
Decrease in block balances		-	1,370
Dividend income received from available for sale investments		5,496	12,025
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		47	49
Net cash from investing activities		9,630	10,603
FINANCING ACTIVITIES			
Finance lease movement		(153)	(182)
Net (decrease)/increase in long-term borrowings		(37,001)	16,453
Net decrease in short-term borrowings		(372)	(18,017)
Dividend paid to owners of the parent		(13,530)	(13,667)
Finance costs paid		(13,474)	(14,033)
Change in non-controlling interests		(2,490)	(879)
Net cash used in financing activities		(67,020)	(30,325)
Net decrease in cash and cash equivalents		(27,582)	(10,185)
Translation difference		(30)	244
		(27,612)	(9,941)
Cash and cash equivalents at beginning of the period		39,804	35,558
Cash and cash equivalents at end of the period	14	12,192	25,617

The notes set out on pages 9 to 21 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 new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 which cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012. The executive regulations of Law No. 1 of 2016 issued on 12 July 2016.

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 11 August 2016.

The annual consolidated financial statements for the year ended 31 December 2015 were authorised for issuance by the Parent Company’s board of directors on 23 March 2016 and approved by the shareholders at the Annual General Meeting held on 1 May 2016.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

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 2015.

Operating results for the six-months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2015.

3 Significant accounting policies

The interim condensed consolidated financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted new accounting pronouncements which have become effective for the first time in 2016, none of which had any significant impact on the Group's results or financial position. These are:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments	1 January 2016
IAS 1 Disclosure Initiative – Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization – Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

4 Income from investments

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through profit or loss	365	732	558	880
- From available for sale investments	2,089	6,123	5,496	12,025
Profit on sale of available for sale investments	519	1,546	1,374	4,063
Realised gain/(loss) on investments at fair value through profit or loss	5	164	(4)	491
Unrealised gain/(loss) on investments at fair value through profit or loss	1,237	165	(1,440)	1,691
	4,215	8,730	5,984	19,150

Notes of the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000
<i>Taxation of foreign subsidiaries*</i>				
Current tax expense				
Current period charge	(124)	(184)	(183)	(255)
	(124)	(184)	(183)	(255)
<i>Other taxation- local subsidiaries**</i>				
Current period charge	-	(138)	-	(216)
	(124)	(322)	(183)	(471)

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

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(1)	(74)	(19)	(110)
Reversal of/(provision for) National Labour Support Tax (NLST)	10	(161)	(23)	(255)
Reversal of/(provision for) Zakat	3	(63)	(18)	(104)
	12	(298)	(60)	(469)

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

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

***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 (2015: 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 (loss)/earnings per share attributable to the owners of the Parent Company

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

	Three months ended		Six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
(Loss) /profit for the year attributable to the owners of the Parent Company (KD '000)	(4,744)	3,459	(4,358)	9,375
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,325,056,996	1,325,056,996	1,325,056,996	1,325,056,996
Basic and diluted (loss)/earnings per share	(3.6) Fils	2.6 Fils	(3.3) Fils	7.1 Fils

7 Investment in associates

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

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Balance at 1 January	337,187	330,968	330,968
Additions during the period/year	528	3,922	3,197
Share of results	11,293	26,913	12,744
Share of other comprehensive income	(99)	(9,119)	(4,712)
Dividend received	(7,220)	(10,676)	(8,321)
Disposal of associates	-	(4,419)	-
Impairment in value	-	(617)	(44)
Foreign currency translation adjustment	(219)	296	886
Other adjustments	-	(81)	-
Balance at the end of the period/year	341,470	337,187	334,718

8 Available for sale investments

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Non Current			
Managed funds	110,412	115,786	129,118
Unquoted equity participations	189,118	189,258	201,739
Quoted shares	164,152	188,865	284,854
	463,682	493,909	615,711
Current			
Quoted shares	38,564	47,328	55,946
	502,246	541,237	671,657

Notes of the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

- a) The quoted shares classified as current represent the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.
- b) At the end of the period, the Group recognised a total impairment loss of KD4,724 thousand (30 June 2015: KD2,031 thousand) for certain quoted and unquoted shares and foreign funds.
- c) Investments with a fair value of KD178,288 thousand (31 December 2015: KD181,450 thousand and 30 June 2015: KD209,003 thousand) are secured against borrowings.

9 Accounts receivable and other assets

Accounts receivable and other assets as of 31 December 2015 included an amount of KD22,459 thousand which represented the remaining balance from the sale of unquoted shares which were classified as available for sale investments and the amount was fully received during the 1st quarter.

10 Investments at fair value through profit or loss

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Held for trading :			
Quoted shares	22,372	24,253	26,227
Designated on initial recognition :			
Local funds	8,143	7,709	7,831
International managed portfolios and funds	46,737	52,071	48,274
	54,880	59,780	56,105
	77,252	84,033	82,332

Quoted shares, held by local subsidiaries, with a fair value of KD3,080 thousand (31 December 2015: KD3,586 thousand and 30 June 2015: KD3,484 thousand) are secured against borrowings.

11 Share capital, share premium, dividend distributions and non-controlling interests

Share capital and share premium

- a) As of 30 June 2016, 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 2015: 1,359,853,075 shares and 30 June 2015: 1,359,853,075 shares).
- b) Share premium is not available for distribution.

Dividend distribution

- c) At the Annual General Meeting held on 1 May 2016, the shareholders approved a cash dividend of 10% (2014: 12%) equivalent to 10 Fils (2014: 12 Fils) per share for the year ended 31 December 2015.

Notes of the interim condensed consolidated financial information (continued)

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

Non-controlling interests

d) During the period, one of the local subsidiaries of the Group increased its share capital from KD15,000 thousand to KD20,000 thousand (50,000,000 shares with a par value of 100 fils per each share) (30 June 2015: from KD11,000 thousand to KD15,000 thousand). The Group subscribed partially for this increase through another subsidiary of the Group and consequently the Group's shareholding in this subsidiary diluted from 82.85% to 77.94% (30 June 2015: from 100% to 82.85%). The proportionate carrying value of net assets on the date of dilution amounting to KD2,049 thousand (30 June 2015: KD5,106 thousand) has been transferred to non-controlling interests in the interim condensed consolidated statement of changes in equity. Consequently the difference between cash proceeds received and non-controlling interests share of net assets on the date of dilution amounting to KD209 thousand (30 June 2015: KD706 thousand) has been recognized as a dilution loss in the interim condensed consolidated statement of changes in equity as of 30 June 2016.

12 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2016	11,167	1,694	18,452	(2,486)	28,827
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	1,595	1,595
Balances at 30 June 2016	11,167	1,694	18,452	(891)	30,422
Balances at 1 January 2015	8,542	1,694	18,452	(1,521)	27,167
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	292	292
Balances at 30 June 2015	8,542	1,694	18,452	(1,229)	27,459

13 Long term and short term borrowings

During 2011 and 2012, one of the local subsidiaries restructured its financing arrangements with some local banks and accordingly loans amounting to KD154,710 thousand (out of which KD58,016 thousand has been paid till reporting date) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 30 June 2016, 31 December 2015 and 30 June 2015, these are partly secured (notes 8 and 10) and the identification and securitization of the required balance is still in process.

The third instalment of the loan of KD38,677 thousand fell due in 2014 and 2015 and the lenders agreed for payment of 50% of that amount within four months from the original due date. KD15,024 thousand was paid in 2015 and the balance KD4,314 thousand was settled during the 1st quarter of 2016.

The process of rescheduling the local subsidiary's loans amounting to KD96,694 thousand as of the reporting date comprising of the remaining 50% (KD19,339 thousand) of the third instalment and KD77,355 thousand for the final instalment is ongoing.

The local subsidiary had submitted a debt rescheduling plan to all its lenders and had, also requested from all of the lenders to extend the standstill as the restructuring is still in process and to continue negotiations to reach an acceptable debt rescheduling solution. The lenders have confirmed that they will continue to negotiate the terms and conditions of the restructuring to bring it to a successful closure. Accordingly, the local subsidiary's management expects to finalize the debt rescheduling within the next few months.

Notes of the interim condensed consolidated financial information (continued)

14 Murabaha and wakala investments and cash and cash equivalents

14.1 Murabaha and wakala investments

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (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	-	1,000	3,004
	-	1,000	3,004

No profit was recognised on impaired wakala investments during the current period (31 December 2015 and 30 June 2015: Nil).

Wakala investments of KD14,324 thousand (31 December 2015: KD14,324 thousand and 30 June 2015: KD14,324) placed 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 and 4th instalment due in June 2014, 2015 and 2016 respectively. Full provision is made for receivable in accordance with the Central Bank of Kuwait provision rules.

During previous years, one of the local subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD9,968 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group initiated legal proceedings against the above parties to recover the amount including profits thereon. During the year 2014, the court of appeal had ordered the related parties to pay KD8,285 thousand with 7% profit thereon to the Group and this was overturned by the Court of Cassation in favour of the related party during 2015. The legal proceedings relating to the remaining amount of KD1,683 thousand is still in process.

14.2 Cash and cash equivalents

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Short-term deposits	7,382	16,661	19,700
Bank balances and cash	29,609	43,383	28,568
Due to banks	(24,473)	(19,915)	(20,125)
	12,518	40,129	28,143
Less: Blocked balances	(326)	(325)	(1,467)
Short term deposits maturing after 3 months	-	-	(1,059)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	12,192	39,804	25,617

Notes to the interim condensed consolidated financial information (continued)

15 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		Hotel & IT services		Total	
	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000
Three months ended										
Segment revenue	10,612	16,141	10,199	11,626	12,380	22,006	3,459	3,785	36,650	53,558
Less:										
Income from investments									(4,215)	(8,730)
Share of result of associates									(5,319)	(6,331)
Realised gain on disposal of investment properties									(50)	-
Rental income									(608)	(485)
Interest and other income									(420)	(595)
Sales, per interim condensed consolidated statement of profit or loss									26,038	37,417
Segment profit/(loss)	3,675	11,592	1,218	2,860	(1,364)	1,806	(455)	(242)	3,074	16,016
Less:										
Finance costs									(6,808)	(7,598)
Loss on foreign currency exchange									(16)	(1,148)
(Loss)/profit before foreign taxation									(3,750)	7,270

Notes to the interim condensed consolidated financial information (continued)

15 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000	30 June 2016 KD '000	30 June 2015 KD '000
Six months ended										
Segment revenue	19,386	33,707	21,680	24,242	26,855	39,284	7,584	8,021	75,505	105,254
Less:										
Income from investments									(5,984)	(19,150)
Share of result of associates									(11,293)	(12,744)
Realised gain on disposal of investment properties									(50)	-
Rental income									(1,209)	(848)
Interest and other income									(850)	(965)
Sales, per interim condensed consolidated statement of profit or loss									56,119	71,547
Segment profit/(loss)	9,324	25,440	2,039	4,789	(1,159)	3,608	(248)	(604)	9,956	33,233
Less:										
Finance costs									(13,646)	(14,757)
Gain/(loss) on foreign currency exchange									403	(3,651)
(Loss)/profit before foreign taxation									(3,287)	14,825
Segment assets	1,061,095	1,217,160	61,206	54,481	77,364	86,401	16,971	24,914	1,216,636	1,382,956
Segment liabilities	(18,143)	(31,753)	(20,622)	(20,199)	(17,545)	(22,820)	(8,463)	(10,961)	(64,773)	(85,733)
Segment net assets	1,042,952	1,185,407	40,584	34,282	59,819	63,581	8,508	13,953	1,151,863	1,297,223
Borrowings and due to banks									(688,135)	(724,268)
Total equity as per interim condensed consolidated statement of financial position									463,728	572,955

Notes of the interim condensed consolidated financial information (continued)

16 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (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	909	1,870	200
- Due from other related parties	4,558	2,476	141
- Due from key management personnel	231	231	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	238	238	826
- Due to other related parties	491	514	2,569
Current portion of long term borrowings – murabaha payable to an associate (included in short term borrowings)	-	-	15,024

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss				
Finance cost charged by an associate	-	186	-	386
Purchase of raw materials – from associates	917	1,065	1,868	2,100
Compensation of key management personnel of the Group				
Short term employee benefits	816	614	1,603	1,401
End of service benefits	24	143	164	168
	840	757	1,767	1,569

17 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, available for sale investments, murabaha and wakala investments, investment at fair value through profit or loss, short term deposits and bank balances and cash) and financial liabilities (due to banks, short term and long term borrowings, leasing creditors and accounts payable and other liabilities).

Except for certain available for sale investments which are carried at cost (KD23,945 thousand), the carrying amounts of other financial assets and liabilities as at 30 June 2016, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets and liabilities which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into six 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 June 2016

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	Balance
				KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	27,160	27,160
Other managed portfolio	-	3,744	75,649	79,393
-Unquoted equity participations	-	3,632	165,400	169,032
-Quoted shares	172,860	1,236	28,620	202,716
Investment at fair value through profit or loss				
-Quoted shares	22,372	-	-	22,372
-Local funds	-	8,143	-	8,143
-International managed portfolios and funds	5,217	32,210	9,310	46,737
Total assets	200,449	48,965	306,139	555,553

At 31 December 2015

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	Balance
				KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	26,647	26,647
Other managed funds	-	7,174	78,105	85,279
-Unquoted equity participations	-	14,268	157,955	172,223
-Quoted shares	222,282	862	13,049	236,193
Investment at fair value through profit or loss				
-Quoted shares	24,253	-	-	24,253
-Local funds	-	7,709	-	7,709
-International managed portfolios and funds	5,490	35,750	10,831	52,071
Total assets	252,025	65,763	286,587	604,375

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

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

At 30 June 2015

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	32,545	32,545
Other managed portfolio	-	8,864	82,884	91,748
-Unquoted equity participations	-	-	148,514	148,514
-Quoted shares	340,800	-	-	340,800
Investment at fair value through profit or loss				
-Quoted shares	26,227	-	-	26,227
-Local funds	-	7,831	-	7,831
-International managed portfolios and funds	4,730	32,622	10,922	48,274
Total assets	371,757	49,317	274,865	695,939

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 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Opening balance	286,587	274,244	274,244
Net change in fair value recognised in other comprehensive income	(5,887)	7,393	6,423
Impairment recognised in profit or loss	(1,390)	(2,164)	(217)
Net change in fair value recognised in profit or loss	188	1,156	223
Net addition/(disposals) during the period/year	806	(8,431)	(5,808)
Reclassification	25,835	14,389	-
Closing balance	306,139	286,587	274,865

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

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year/period, except for certain foreign quoted shares that have been fair valued based on valuation techniques as the Group's management believes that such valuations are more representative of the fair values of such investments based on the information available to the management. Accordingly this investment has been included under level 3.

18 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 June 2016 amounted to KD5,788 thousand (31 December 2015: KD4,712 thousand and 30 June 2015: KD7,588 thousand) of which assets managed on behalf of related parties amounted to KD3,193 thousand (31 December 2015: KD2,713 thousand and 30 June 2015: KD5,077 thousand).

Notes of the interim condensed consolidated financial information (continued)

19 Contingent liabilities

As at 30 June 2016, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD18,339 thousand (31 December 2015: KD20,773 thousand and 30 June 2015: KD22,140 thousand).

20 Capital commitments

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling to KD38,142 thousand (31 December 2015: KD36,481 thousand and 30 June 2015: KD37,939 thousand).

21 Comparative information

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