

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

30 June 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 June 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 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

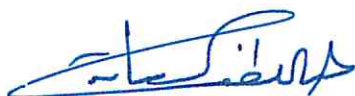
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 matters

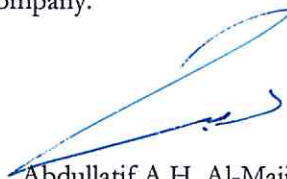
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, nor of the Articles and Memorandum of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 2014 that might have had a material effect on the business or financial position of the Parent Company.



Abdullatif M. Al-Aiban (CPA)

(Licence No. 94-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Abdullatif A.H. Al-Majid

(Licence No. 70-A)

of Parker Randall (Allied Accountants)

Kuwait

13 August 2014

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Six months ended	
		30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000 (Restated)	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000 (Restated)
Continuing operations					
Sales		28,173	27,467	57,622	52,336
Cost of sales		(21,953)	(20,234)	(44,585)	(40,053)
Gross profit		6,220	7,233	13,037	12,283
Income from investments	3	13,607	20,047	26,594	32,174
Profit on disposal of associate	7	333	994	333	994
Realised gain on disposal of investment properties		323	-	563	-
Share of results of associates		5,494	5,300	8,338	10,530
Rent, interest and other income	4	1,320	2,779	2,799	4,495
Distribution costs		(1,161)	(1,084)	(2,474)	(2,115)
General, administrative and other expenses		(6,845)	(5,438)	(12,543)	(10,445)
Loss on foreign currency exchange		(355)	(400)	(361)	(1,691)
		18,936	29,431	36,286	46,225
Finance costs		(7,505)	(10,048)	(15,172)	(18,006)
Impairment in value of investment in associate	7	-	(118)	(111)	(118)
Impairment in value of available for sale investments	8	(5,413)	(8,043)	(5,900)	(10,449)
Impairment in value of accounts receivables and other assets		-	(627)	(711)	(627)
Profit before taxation and other statutory contributions		6,018	10,595	14,392	17,025
Taxation and other statutory contributions	5	(545)	(574)	(866)	(769)
Profit from continuing operations		5,473	10,021	13,526	16,256
Discontinued operations					
Loss for the period from discontinued operations	16	-	(32)	-	(76)
Profit for the period		5,473	9,989	13,526	16,180
Attributable to :					
Owners of the parent company		2,960	5,702	8,004	10,434
Non-controlling interests		2,513	4,287	5,522	5,746
		5,473	9,989	13,526	16,180
Basic and diluted earnings per share attributable to the owners of the parent company	6				
- From continuing operations		2.2 Fils	4.3 Fils	6.0 Fils	7.9 Fils
- From discontinued operations		-	-	-	-
Total		2.2 Fils	4.3 Fils	6.0 Fils	7.9 Fils

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 comprehensive income

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000 (Restated)	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000 (Restated)
Profit for the period	5,473	9,989	13,526	16,180
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	147	(441)	3,663	(35)
Available for sale investments:				
- Net changes in fair value arising during the period	(16,645)	(18,740)	(4,051)	(6,887)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	(3,003)	(7,615)	(6,675)	(13,779)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	5,413	8,043	5,900	10,449
Share of other comprehensive income of associates				
- Change in fair value	3,381	(822)	4,627	(1,674)
Total other comprehensive income to be reclassified to profit or loss in subsequent period:	(10,707)	(19,575)	3,464	(11,926)
Items not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan actuarial gains	194	82	277	649
Total other comprehensive income not being reclassified to profit or loss in subsequent periods:	194	82	277	649
Total other comprehensive income for the period	(10,513)	(19,493)	3,741	(11,277)
Total comprehensive income for the period	(5,040)	(9,504)	17,267	4,903
Total comprehensive income attributable to:				
Owners of the parent company	(4,446)	(10,756)	11,511	(504)
Non-controlling interests	(594)	1,252	5,756	5,407
	(5,040)	(9,504)	17,267	4,903

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 June 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 June 2013 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		9,370	9,221	6,810
Property, plant and equipment		69,001	70,712	68,637
Investment in associates	7	303,907	294,406	293,546
Investment properties		54,398	49,943	26,342
Available for sale investments	8	671,538	673,285	675,565
Accounts receivable		2,171	2,086	2,017
Total non-current assets		1,110,385	1,099,653	1,072,917
Current assets				
Inventories		31,064	31,908	27,307
Available for sale investments	8	72,092	75,958	74,468
Accounts receivable and other assets		54,102	66,174	68,039
Murabaha and wakala investments	12	594	4,500	1,044
Investments at fair value through profit or loss	9	65,721	65,199	58,316
Short-term deposits	12	3,465	2,061	5,195
Bank balances and cash	12	36,907	32,253	53,815
Total current assets		263,945	278,053	288,184
Total assets		1,374,330	1,377,706	1,361,101
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		165,583	164,439	128,487
Other components of equity	11	20,638	18,552	17,046
Retained earnings		12,666	10,344	13,994
Equity attributable to owners of the parent		427,459	415,432	381,624
Non-controlling interests		145,813	147,976	134,952
Total equity		573,272	563,408	516,576
Non-current liabilities				
Long-term borrowings		518,659	529,632	446,174
Leasing creditors		474	131	74
Provisions		13,498	12,688	14,129
Total non-current liabilities		532,631	542,451	460,377
Current liabilities				
Accounts payable and other liabilities		45,290	48,398	52,590
Short-term borrowings		203,236	200,375	305,818
Due to banks	12	19,901	23,074	25,740
Total current liabilities		268,427	271,847	384,148
Total liabilities		801,058	814,298	844,525
Total equity and liabilities		1,374,330	1,377,706	1,361,101



Sulaiman Hamad Al Dalali
Vice Chairman



Ahmed Mohammed Hassan
Chief Executive Officer

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

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	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	-	-	-	-	-	-	-	(687)	(687)
Total transactions with owners	6,475	-	-	-	-	(5,959)	516	(7,919)	(7,403)
Comprehensive income									
Profit for the period	-	-	-	-	-	8,004	8,004	5,522	13,526
Other comprehensive income for the period (actuarial gains and others)	-	-	-	1,144	2,086	277	3,507	234	3,741
Total comprehensive income for the period	-	-	-	1,144	2,086	8,281	11,511	5,756	17,267
Balance at 30 June 2014	135,985	(30,375)	122,962	165,583	20,638	12,666	427,459	145,813	573,272

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

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Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2014 (Unaudited) KD '000	Six months ended 30 June 2013 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before taxation and other statutory contributions	14,392	17,025
Adjustments for :		
Depreciation of property, plant and equipment	3,319	3,465
Realised gain on disposal of investment properties	(563)	-
Loss on disposal of property, plant and equipment	-	23
Share of results of associates	(8,338)	(10,530)
Profit on disposal of associate	(333)	(994)
Impairment in value of investments in associate	111	118
Dividend income from available for sale investments	(14,183)	(18,123)
Effect on unwinding discount of account receivables	-	(236)
Impairment in value of available for sale investments	5,900	10,449
Impairment in value of accounts receivable and other assets	711	627
Profit on sale of available for sale investments	(9,241)	(13,232)
Net provision charged/(released)	810	(1,010)
Finance costs	15,172	18,006
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(217)	(263)
	7,540	5,325
Changes in operating assets and liabilities:		
Inventories	844	(1,663)
Accounts receivable and other assets	11,950	(10,493)
Investments at fair value through profit or loss	(522)	3,676
Accounts payable and other liabilities	(1,555)	(304)
Cash from operations	18,257	(3,459)
Taxation paid	(119)	(161)
KFAS, Zakat and NLST paid	(706)	-
Net cash from/(used in) operating activities	17,432	(3,620)

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	Six months ended 30 June 2014 (Unaudited) KD '000	Six months ended 30 June 2013 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,596)	(3,014)
Purchase of investment properties		(9,054)	(1,083)
Proceeds from disposal of associate		1,107	3,206
Addition to investment in associates		(1,356)	(5,931)
Dividend received from associates		7,349	6,368
Purchase of available for sale investments		(17,319)	(19,177)
Proceeds from sale of available for sale investments		20,025	40,361
Proceeds from sale of investment properties		5,162	-
Decrease in wakala investments maturing after three months		3,906	10,249
(Increase)/decrease in block balances		(1,162)	5,155
Dividend income received from available for sale investments		14,183	18,123
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		254	266
Net cash from investing activities		21,499	54,523
FINANCING ACTIVITIES			
Finance lease receipts/(payments)		401	(74)
Net increase/(decrease) in long-term borrowings		9,027	(77,761)
Net (decrease)/increase in short-term borrowings		(17,139)	49,495
Dividend paid to owners of the parent		(68)	(33)
Finance costs paid		(15,161)	(17,127)
Decrease in non-controlling interests		(7,919)	(12,245)
Net cash used in financing activities		(30,859)	(57,745)
Net increase/(decrease) in cash and cash equivalents		8,072	(6,842)
Translation difference		(3)	(37)
Cash and cash equivalents at beginning of the period		8,069	(6,879)
		9,816	37,608
Cash and cash equivalents at end of the period	12	17,885	30,729

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 13 August 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 six months period ended 30 June 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		Six months ended	
	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through profit or loss	156	194	263	207
- From available for sale investments	8,768	12,819	14,183	18,123
Profit on sale of available for sale investments	5,072	6,687	9,241	13,232
Realised gain on investments at fair value through profit or loss	225	296	347	256
Unrealised (loss)/gain on investments at fair value through profit or loss	(614)	51	2,560	356
	13,607	20,047	26,594	32,174

Notes of the interim condensed consolidated financial information (continued)

4 Rent, interest and other income

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	66	121	217	263
Income from financing of future trade by customers	82	136	168	251
Net income from hotel business of a foreign subsidiary	85	496	124	687
Effect of unwinding of discount on receivables	-	118	-	236
Rental income	374	390	757	842
Income from IT services of subsidiary (net)	419	120	891	332
Reversal of impairment provision on accounts receivable	-	694	-	694
Management, placement fees and other income	294	704	642	1,190
	1,320	2,779	2,799	4,495

5 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000
Current tax expense				
Current period charge	(197)	(59)	(150)	(78)
Total	(197)	(59)	(150)	(78)

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

Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(77)	(141)	(151)	(178)
Provision for National Labour Support Tax (NLST)	(203)	(272)	(400)	(370)
Provision for Zakat	(68)	(102)	(165)	(143)
	(348)	(515)	(716)	(691)
	(545)	(574)	(866)	(769)

*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 is calculated by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Six months ended	
	30 June 2014 (Unaudited)	30 June 2013 (Unaudited) (Restated)	30 June 2014 (Unaudited)	30 June 2013 (Unaudited) (Restated)
Profit for the period attributable to the owners of the parent (KD '000)				
- from continuing operations	2,960	5,734	8,004	10,510
- from discontinued operations	-	(32)	-	(76)
Total	2,960	5,702	8,004	10,434
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	2.2 Fils	4.3 Fils	6.0 Fils	7.9 Fils
- from discontinued operations	-	-	-	-
Total	2.2 Fils	4.3 Fils	6.0 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 six months ended 30 June 2013 were 4.5 Fils and 8.3 Fils respectively.

7 Investment in associates

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

	30 June 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 June 2013 (Unaudited) KD '000
Balance at 1 January	294,406	287,497	287,497
Additions during the period/year	1,356	10,820	5,931
Share of results	8,338	18,398	10,530
Share of other comprehensive income	4,627	2,702	(2,000)
Dividend received	(7,349)	(8,201)	(6,368)
Disposal of associates	(774)	(6,131)	(2,212)
Impairment in value	(111)	(118)	(118)
Reclassification	-	(5,084)	-
Foreign currency translation adjustment	3,202	(3,349)	-
Other adjustments	212	(2,128)	286
Balance at the end of the period/year	303,907	294,406	293,546

A major portion of an associate with a carrying value of KD91,254 thousand (31 December 2013: KD90,233 thousand and 30 June 2013: KD86,220 thousand) have been subject to an exchangeable options to the lenders of the group.

Notes of the interim condensed consolidated financial information (continued)

8 Available for sale investments

	30 June 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 June 2013 (Unaudited) KD '000
Non Current			
Managed funds	162,075	155,127	175,751
Unquoted equity participations	176,365	177,823	201,781
Quoted shares	333,098	340,335	298,033
	671,538	673,285	675,565
Current			
Quoted shares	72,092	75,958	74,468
	743,630	749,243	750,033

- 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 KD5,900 thousand (30 June 2013: KD10,449 thousand) for certain quoted and unquoted shares.
- Quoted shares with a fair value of KD173,388 thousand (31 December 2013: KD169,526 thousand and 30 June 2013: KD92,955 thousand) are secured against term loans.

9 Investments at fair value through profit or loss

	30 June 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 June 2013 (Unaudited) KD '000
Held for trading :			
Quoted shares and debt instruments	38,561	38,113	29,747
Designated on initial recognition :			
Local funds	9,052	11,030	14,082
International managed portfolios and funds	18,108	16,056	14,487
	27,160	27,086	28,569
	65,721	65,199	58,316

Quoted shares, held by local subsidiaries, with a fair value of KD11,960 thousand (31 December 2013: KD11,502 thousand and 30 June 2013: KD13,626 thousand) are secured against borrowings.

Notes of the interim condensed consolidated financial information (continued)

10 Share capital and share premium

- a) As of 30 June 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 June 2013: 1,295,098,167 shares).
- b) 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.
- c) Share premium is not available for distribution.
- d) 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. After completing its necessary formalities an amount of KD2,742 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	-	-	-	2,086	2,086
Balances at 30 June 2014	2,603	1,892	18,452	(2,309)	20,638
Balances at 1 January 2013	1,232	507	18,452	(3,270)	16,921
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	125	125
Balances at 30 June 2013	1,232	507	18,452	(3,145)	17,046

12 Murabaha and wakala investments and cash and cash equivalents

12.1 Murabaha and wakala investments

	30 June 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 June 2013 (Unaudited) KD '000
Due from a local Islamic investment company/ due from related parties	14,324	14,324	14,968
Provision for impairment in value	(14,324)	(14,324)	(14,968)
	-	-	-
Placed with local Islamic banks	594	4,500	1,044
	594	4,500	1,044

Notes of the interim condensed consolidated financial information (continued)

12 Murabaha and wakala investments and cash and cash equivalents (continued)

12.1 Murabaha and wakala investments (continued)

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

Wakala investment of KD14,324 thousand (31 December 2013: KD14,324 thousand and 30 June 2013: KD 14,968 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 against the order. The legal proceeding relating to KD1,683 thousand are still in process.

12.2 Cash and cash equivalents

	30 June 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 June 2013 (Unaudited) KD '000
Short-term deposits	3,465	2,061	5,195
Bank balances and cash	36,907	32,253	53,815
Due to banks	(19,901)	(23,074)	(25,740)
	20,471	11,240	33,270
Less: Blocked balances	(2,586)	(1,424)	(2,541)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	17,885	9,816	30,729

13 Segmental analysis

Profit for the period before taxation and other statutory contributions as per the interim condensed consolidated statement of profit or loss

Notes to the interim condensed consolidated financial information (continued)

13 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Total
	30 June 2014 KD '000	30 June 2013 KD '000	30 June 2014 KD '000	30 June 2013 KD '000	30 June 2014 KD '000	30 June 2013 KD '000	
Six months ended							
Segment revenue	38,627	48,193	24,581	21,963	33,041	30,373	96,249
Less:							
Income from investments							
Share of results of associates							(26,594)
Profit on disposal of associate							(8,338)
Realised gain on disposal of investment properties							(333)
Rent, interest and other income							(563)
							(2,799)
							(4,495)
Sales, per the interim condensed consolidated statement of profit or loss							57,622
Segment profit	23,648	30,703	4,102	3,859	2,175	2,160	29,925
Less:							
Finance costs							(15,172)
Other unallocated expenses							(361)
Profit for the period before taxation and other statutory contributions as per the interim condensed consolidated statement of profit or loss							14,392
Segment assets	1,238,336	1,234,534	61,627	53,681	74,367	72,886	1,374,330
Segment liabilities	(21,218)	(29,530)	(17,233)	(15,132)	(20,811)	(22,131)	(59,262)
Segment net asset	1,217,118	1,205,004	44,394	38,549	53,556	50,755	1,315,068
Borrowings and due to banks							(741,796)
Total equity per interim condensed consolidated statement of financial position							573,272
							516,576

Notes of the interim condensed consolidated financial information (continued)

14 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 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	30 June 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	1,784	2,331	5,709
- Due from other related parties	1,144	1,068	1,052
- Due from key management personnel	233	233	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	789	279	9,623
- Due to other related parties	2,479	1,698	39
Long term borrowings – murabaha payable to an associate	15,054	15,069	15,083
	Three months ended		Six months ended
	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000
			30 June 2013 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss			
Finance cost charged by an associate	187	247	371
Management fees and placement fees earned from related parties	-	105	8
Cost of raw materials – from associates	1,021	1,205	2,067
Compensation of key management personnel of the group			
Short term employee benefits	679	788	1,585
End of service benefits	1,154	25	1,184
	1,833	813	2,769

15 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 (KD59,284 thousand), the carrying amounts of other financial assets and liabilities as at 30 June 2014, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

15 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 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	-	-	52,638	52,638
Other managed portfolio	c	-	9,537	91,858	101,395
-Unquoted equity participations	d	-	-	125,123	125,123
-Quoted shares	a	405,190	-	-	405,190
Investment at fair value through profit or loss					
-Quoted shares	a	38,561	-	-	38,561
-Local funds	b	-	9,052	-	9,052
-International managed portfolios and funds	e	-	-	18,108	18,108
Total assets		443,751	18,589	287,727	750,067

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)

15 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 June 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	4,496	(1,143)
Impairment recognised in profit or loss	(420)	(8,748)
Net change in fair value recognised in profit or loss	650	2,115
Net addition/(disposals) during the period/year	3,484	(33,529)
Reclassified from carried at cost to fair valued investments	-	1,505
Closing balance	287,727	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)

15 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.

16 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 (Shenzhen) Limited put into liquidation in September 2013) and the operating losses of those two subsidiaries are summarised below:

	Three months ended 30 June 2013 KD '000	Six months ended 30 June 2013 KD '000
Sales	198	459
Cost of sales	(163)	(386)
Gross profit	35	73
Distribution costs	(24)	(56)
General, administrative and other expenses	(18)	(50)
	(7)	(33)
Finance costs	(25)	(43)
Loss for the period from discontinued operations	(32)	(76)

17 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.

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 2014 amounted to KD7,004 thousand (31 December 2013: KD6,804 thousand and 30 June 2013: KD12,665 thousand) of which assets managed on behalf of related parties amounted to KD4,493 thousand (31 December 2013: KD4,234 thousand and 30 June 2013: KD9,849 thousand).

Notes of the interim condensed consolidated financial information (continued)

19 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 KD26,296 thousand (31 December 2013: KD25,438 thousand and 30 June 2013: KD28,422 thousand).

20 Subsequent events

On 2 April 2014, the Parent Company signed a “Term Sheet” with a buyer to dispose 29.9% of its holding in its subsidiary, Noor Financial Investment Company KPSC (“Noor”) for a consideration of approximately KD28 Mn. The purpose of the “Term Sheet” was to summarize some of the key terms of the proposed sale and to commence negotiating in good faith the “Definitive Agreement” in accordance with the terms outlined in the Term Sheet. The Parent Company’s management expected to sign the “Definitive Agreement” and transfer the shares to the buyer, only upon completion of certain Due Diligence procedures by the buyer and upon obtaining regulatory and other required approvals.

However, this deal was cancelled at the end of the current quarter.

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 16).

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.