Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 March 2014 (Unaudited)

Contents

	Page
Review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5 and 6
Interim condensed consolidated statement of cash flows	7 and 8
Notes to the interim condensed consolidated financial information	9 to 22

Grant Thornton
Al-Qatami, Al-Aiban & Partners
Auditors & Consultants
Souq Al Kabeer Building - Block A 9th Floor
Tel : (965) 2244 3900-9
Fax: (965) 2243 8451
P.O.Box 2986, Safat 13030
Kuwait
E-mail: gt@kw.gt.com
www.gtkuwait.com

Abdullatif Al-Majid & Co.
Allied Accountants
Certified Public Accountants - Experts
Parker Randall

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 31 March 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 three-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 three-month period ended 31 March 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
15 May 2014

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2014 (Unaudited)	Three months ended 31 March 2013 (Unaudited)
		KD '000	KD '000 (restated)
Continuing operations			
Sales		**29,449**	24,869
Cost of sales		**(22,632)**	(19,819)
Gross profit		**6,817**	5,050
Income from investments	3	**12,987**	12,127
Share of results of associates	7	**2,844**	5,230
Realized gain on disposal of investment properties		**240**	-
Rent, interest and other income	4	**1,479**	1,716
Distribution costs		**(1,313)**	(1,031)
General, administrative and other expenses		**(5,698)**	(5,007)
Loss on foreign currency exchange		**(6)**	(1,291)
		17,350	16,794
Finance costs		**(7,667)**	(7,958)
Impairment in value of available for sale investments	8	**(487)**	(2,406)
Impairment in value of investment in associates	7	**(111)**	-
Impairment in value of accounts receivables and other assets		**(711)**	-
Profit before taxation and other statutory contributions		**8,374**	6,430
Taxation and other statutory contributions	5	**(321)**	(195)
Profit for the period from continuing operations		**8,053**	6,235
Discontinued operations			
Loss for the period from discontinued operations	16	**-**	(44)
Profit for the period		**8,053**	6,191
Attributable to :			
Owners of the parent company		**5,044**	4,732
Non-controlling interests		**3,009**	1,459
		8,053	6,191
Basic and diluted earnings per share attributable to the owners of the parent			
- From continuing operations		**4.0 Fils**	3.7 Fils
- From discontinued operations		**-**	-
Total	6	**4.0 Fils**	3.7 Fils

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

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2014 (Unaudited) KD '000	Three months ended 31 March 2013 (Unaudited) KD '000 (restated)
Profit for the period	**8,053**	6,191
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**3,516**	406
Available for sale investments:		
- Net changes in fair value arising during the period	**12,594**	11,853
- Transferred to consolidated statement of profit or loss on disposals	**(3,672)**	(6,164)
- Transferred to consolidated statement of profit or loss on impairment	**487**	2,406
Share of other comprehensive income of associates		
- Changes in fair value	**1,246**	(852)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	**14,171**	7,649
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial gains	**83**	567
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	**83**	567
Total other comprehensive income for the period	**14,254**	8,216
Total comprehensive income for the period	**22,307**	14,407
Total comprehensive income attributable to:		
Owners of the parent	**15,957**	10,252
Non-controlling interests	**6,350**	4,155
	22,307	14,407

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

Interim condensed consolidated statement of financial position

	Note	31 March 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	31 March 2013 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill		9,403	9,221	6,769
Property, plant and equipment		70,185	70,712	63,901
Investment in associates	7	301,762	294,406	292,286
Investment properties		55,849	49,943	25,412
Available for sale investments	8	680,157	673,285	705,496
Accounts receivable		2,147	2,086	1,796
Total non-current assets		1,119,503	1,099,653	1,095,660
Current assets				
Inventories		29,876	31,908	25,533
Available for sale investments	8	80,147	75,958	76,411
Accounts receivable and other assets		59,432	66,174	63,110
Murabaha and wakala investments	12	592	4,500	8,248
Investments at fair value through profit or loss	9	67,169	65,199	60,524
Short-term deposits	12	2,523	2,061	3,876
Bank balances and cash	12	34,060	32,253	39,773
Total current assets		273,799	278,053	277,475
Total assets		1,393,302	1,377,706	1,373,135
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	10	129,510	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		173,422	164,439	144,804
Other components of equity	11	20,399	18,552	17,269
Retained earnings		15,471	10,344	8,210
Equity attributable to owners of the parent		431,389	415,432	392,380
Non-controlling interests		149,835	147,976	145,822
Total equity		581,224	563,408	538,202
Non-current liabilities				
Long-term borrowings		518,322	529,632	478,445
Leasing creditors		501	131	123
Provisions		12,681	12,688	14,386
Total non-current liabilities		531,504	542,451	492,954
Current liabilities				
Accounts payable and other liabilities		49,812	48,398	51,297
Short-term borrowings		209,970	200,375	273,212
Due to banks	12	20,792	23,074	17,470
Total current liabilities		280,574	271,847	341,979
Total liabilities		812,078	814,298	834,933
Total equity and liabilities		1,393,302	1,377,706	1,373,135

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

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

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company								
	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other Components of equity (Note 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									
Amount due to non-controlling interests on reduction of share capital of a subsidiary (Note 10c)	-	-	-	-	-	-	-	(3,911)	(3,911)
Net change in non-controlling interests	-	-	-	-	-	-	-	(580)	(580)
Total transactions with owners	-	-	-	-	-	-	-	(4,491)	(4,491)
Comprehensive income									
Profit for the period	-	-	-	-	-	5,044	5,044	3,009	8,053
Other comprehensive income for the period (actuarial gains and others)	-	-	-	8,983	1,847	83	10,913	3,341	14,254
Total comprehensive income for the period	-	-	-	8,983	1,847	5,127	15,957	6,350	22,307
Balance at 31 March 2014	**129,510**	**(30,375)**	**122,962**	**173,422**	**20,399**	**15,471**	**431,389**	**149,835**	**581,224**

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

Interim condensed consolidated statement of changes in equity (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	-	-	-	-	-	-	-	(315)	(315)
Net change in non-controlling interests	-	-	-	-	-	-	-	192	192
Total transactions with owners	-	-	-	-	-	-	-	(123)	(123)
Comprehensive income									
Profit for the period	-	-	-	-	-	4,732	4,732	1,459	6,191
Other comprehensive income for the period (actuarial gains and others)	-	-	-	4,605	348	567	5,520	2,696	8,216
Total comprehensive income for the period	-	-	-	4,605	348	5,299	10,252	4,155	14,407
Balance at 31 March 2013	129,510	(30,375)	122,962	144,804	17,269	8,210	392,380	145,822	538,202

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

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2014 (Unaudited) KD '000	Three months ended 31 March 2013 (Unaudited) KD '000 (restated)
OPERATING ACTIVITIES		
Profit before taxation and other statutory contributions	**8,374**	6,430
Adjustments for :		
Depreciation of property, plant and equipment	**1,670**	1,674
Realsied gain on disposal of investment properties	**(240)**	-
Share of results of associates	**(2,844)**	(5,230)
Dividend income from available for sale investments	**(5,415)**	(5,304)
Impairment in value of available for sale investments	**487**	2,406
Impairment in value of associates	**111**	-
Impairment in value of accounts receivable and other assets	**711**	-
Profit on sale of available for sale investments	**(4,169)**	(6,545)
Effect of discounts on account receivables	-	(118)
Net provisions released	**(7)**	(753)
Finance costs	**7,667**	7,958
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(151)**	(142)
	6,194	376
Changes in operating assets and liabilities:		
Inventories	**2,032**	111
Accounts receivable and other assets	**6,792**	(646)
Investments at fair value through profit or loss	**(1,970)**	1,468
Accounts payable and other liabilities	**(3,266)**	1,062
Cash from operations	**9,782**	2,371
Taxation paid	**(50)**	(58)
Net cash from operating activities	**9,732**	2,313

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

Interim condensed consolidated statement of cash flows (continued)

	Note	Three months ended 31 March 2014 (Unaudited) KD '000	Three months ended 31 March 2013 (Unaudited) KD '000 (restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,033)	(1,389)
Additions to investment in associates		(676)	(338)
Purchase of investment properties		(7,766)	(153)
Purchase of available for sale investments		(7,925)	(6,694)
Dividend income received from investment in associates		708	-
Proceeds from sale of available for sale investments		9,030	15,348
Decrease in wakala investments maturing after three months		3,908	3,045
(Increase)/decrease in blocked balances		(161)	5,111
Dividend income received from available for sale investments		5,415	5,304
Proceeds from sale of investment property		2,100	-
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		188	142
Net cash from investing activities		3,788	20,376
FINANCING ACTIVITIES			
Finance lease movement		456	(36)
Net (decrease)/increase in long-term borrowings		(11,310)	1,563
Net increase/(decrease) in short-term borrowings		9,595	(30,164)
Dividend paid to owners of the parent		(56)	(14)
Finance costs paid		(7,231)	(7,897)
Decrease in non-controlling interests		(580)	(123)
Net cash used in financing activities		(9,126)	(36,671)
Net increase/(decrease) in cash and cash equivalents		4,394	(13,982)
Translation difference		(4)	(32)
		4,390	(14,014)
Cash and cash equivalents at beginning of the period		9,816	37,608
Cash and cash equivalents at end of the period	12	14,206	23,594

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

Notes of the interim condensed consolidated financial information

1 Incorporation and activities

National Industries Group Holding – KPSC ('the parent company') was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a 'Holding Company'. The parent company along with its subsidiaries are jointly referred to as "the Group". The parent company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the parent company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trade marks, 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 15 May 2014.

The annual consolidated financial statements for the year ended 31 December 2013 were approved by the board of directors on 30 March 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)

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 three months period ended 31 March 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.

Standard or Interpretation	*Effective for annual periods beginning*
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 31 March 2014 (Unaudited)	Three months ended 31 March 2013 (Unaudited)
	KD '000	KD '000
Dividend income:		
- From investments at fair value through profit or loss	107	13
- From available for sale investments	5,415	5,304
Profit on sale of available for sale investments	4,169	6,545
Realised gain/(loss) on investments at fair value through profit or loss	122	(40)
Unrealised gain on investments at fair value through profit or loss	3,174	305
	12,987	12,127

Notes of the interim condensed consolidated financial information (continued)

4 Rent, interest and other income

	Three months ended 31 March 2014 (Unaudited) KD '000	Three months ended 31 March 2013 (Unaudited) KD '000
Interest/profit on bank balances, short term deposits, wakala and murabaha investments	151	142
Income from financing of future trade by customers	86	115
Net income from hotel business of a foreign subsidiary	39	191
Net income from IT services of subsidiaries	472	42
Effect of unwinding of discount on receivables	-	118
Rental income	383	452
Management and placement fees and other income	348	656
	1,479	1,716

5 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Three months ended 31 March 2014 (Unaudited) KD '000	Three months ended 31 March 2013 (Unaudited) KD '000
Current tax expense		
Current period credit/(charge)	47	(19)
	47	(19)

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

Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(74)	(37)
Provision for National Labour Support Tax (NLST)	(197)	(98)
Provision for Zakat	(97)	(41)
	(368)	(176)
	(321)	(195)

*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 31 March 2014 (Unaudited)	Three months ended 31 March 2013 (Unaudited) (Restated)
Profit/(loss) for the year attributable to the owners of the parent (KD '000)		
- from continuing operations	5,044	4,776
- from discontinued operations	-	(44)
Total	5,044	4,732
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,261,959,044	1,261,959,044
Basic and diluted earnings per share		
- from continuing operations	4. 0 Fils	3.7 Fils
- from discontinued operations	-	-
Total	4.0 Fils	3.7 Fils

7 Investment in associates

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

	31 March 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	31 March 2013 (Unaudited) KD '000
Balance at 1 January	294,406	287,497	287,497
Additions during the period/year	676	10,820	338
Share of results	2,844	18,398	5,230
Share of other comprehensive income	1,246	2,702	(852)
Dividend received	(708)	(8,201)	-
Disposal of associates	-	(6,131)	-
Impairment in value	(111)	(118)	-
Reclassification	-	(5,084)	-
Foreign currency translation adjustment	3,490	(3,349)	118
Other adjustments	(81)	(2,128)	(45)
Balance at the end of the period/year	301,762	294,406	292,286

A major portion of an associate with a carrying value of KD92,110 thousand (31 December 2013: KD90,233 thousand and 31 March 2013: KD 86,209 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

	31 March 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	31 March 2013 (Unaudited) KD '000
Non Current			
Managed funds	**160,592**	155,127	187,927
Unquoted equity participations	**177,108**	177,823	202,882
Quoted shares	**342,457**	340,335	314,687
	680,157	673,285	705,496
Current			
Quoted shares	**80,147**	75,958	76,411
	760,304	749,243	781,907

a) 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.

b) At the end of the period, the group recognised a total impairment loss of KD487 thousand (31 March 2013: KD2,406 thousand) for certain quoted and unquoted shares.

c) Quoted shares with a fair value of KD205,985 thousand (31 December 2013: KD197,119 thousand and 31 March 2013: KD61,762 thousand) are secured against term loans.

9 Investments at fair value through profit or loss

	31 March 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	31 March 2013 (Unaudited) KD '000
Held for trading :			
Quoted shares and debt instruments	**40,573**	**38,113**	31,975
Designated on initial recognition :			
Local funds	**9,704**	11,030	13,881
International managed portfolios and funds	**16,892**	16,056	14,668
	26,596	27,086	28,549
	67,169	65,199	60,524

Quoted shares, held by local subsidiaries, with a fair value of KD10,313 thousand (31 December 2013: KD11,502 thousand and 31 March 2013: KD15,232 thousand) are secured against borrowings.

Notes of the interim condensed consolidated financial information (continued)

10 Share capital and share premium

a) As of 31 March 2014, authorized issued and fully paid share capital in cash of the parent company comprised of 1,295,098,167 shares of 100 Fils each (31 December 2013 and 31 March 2013: 1,295,098,167 shares).

b) Share premium is not available for distribution.

c) 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 KD3,911 thousand pertains to non-controlling interests which is shown as part of account payable and other liabilities as at the reporting date. The payment procedures for distribution of this amount are in process.

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
Other comprehensive income:					
Currency translation differences	-	-	-	1,847	1,847
Balances at 31 March 2014	**2,603**	**1,892**	**18,452**	**(2,548)**	**20,399**
Balances at 1 January 2013	1,232	507	18,452	(3,270)	16,921
Other comprehensive income:					
Currency translation differences	-	-	-	348	348
Balances at 31 March 2013	**1,232**	**507**	**18,452**	**(2,922)**	**17,269**

12 Murabaha and wakala investments and cash and cash equivalents

12.1 Murabaha and wakala investments

	31 March 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	31 March 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	**592**	4,500	8,248
	592	4,500	8,248

No profit was recognised on impaired wakala investments during the current period (31 December 2013 and 31 March 2013: Nil). Wakala investment of KD14,324 thousand (31 December 2013: KD14,324 thousand and 31 March 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.

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)

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.

Subsequent to reporting date, the court of appeal has ordered the related parties to pay KD8,225 thousand with 7% profits thereon to the Group. The legal proceedings relating to KD1,743 thousand are still in process.

12.2 Cash and cash equivalents

	31 March 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	31 March 2013 (Unaudited) KD '000
Short-term deposits	2,523	2,061	3,876
Bank balances and cash	34,060	32,253	39,773
Due to banks	(20,792)	(23,074)	(17,470)
	15,791	11,240	26,179
Less: Blocked balances	(1,585)	(1,424)	(2,585)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	**14,206**	9,816	23,594

Notes of the interim condensed consolidated financial information (continued)

13 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	
	31 March 2014 KD '000	31 March 2013 KD '000	**31 March 2014 KD '000**	31 March 2013 KD '000	**31 March 2014 KD '000**	31 March 2013 KD '000	**31 March 2014 KD '000**	31 March 2013 (Restated) KD '000
Segment revenue	**17,550**	19,073	**12,135**	10,751	**17,314**	14,118	**46,999**	43,942
Less:								
Income from investments							**(12,987)**	(12,127)
Share of results of associates							**(2,844)**	(5,230)
Realized gain on disposal of investment properties							**(240)**	-
Rent, interest and other income							**(1,479)**	(1,716)
Sales, per the interim condensed consolidated statement of profit or loss							**29,449**	24,869
Segment profit	**12,580**	13,492	**2,095**	1,943	**1,372**	244	**16,047**	15,679
Less:								
Finance costs							**(7,667)**	(7,958)
Other unallocated expenses							**(6)**	(1,291)
Profit for the period before taxation and other statutory contribution as per the interim condensed consolidated statement of profit or loss							**8,374**	6,430
Segment assets	**1,254,692**	1,246,643	**60,445**	56,157	**78,165**	70,335	**1,393,302**	1,373,135
Segment liabilities	**(24,054)**	(29,402)	**(18,180)**	(15,245)	**(20,760)**	(21,159)	**(62,994)**	(65,806)
Segment net asset	**1,230,638**	1,217,241	**42,265**	40,912	**57,405**	49,176	**1,330,308**	1,307,329
Borrowings and due to banks							**(749,084)**	(769,127)
Total equity per interim condensed consolidated statement of financial position							**581,224**	538,202

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:

	31 March 2014 (Unaudited) KD '000	31 Dec. 2013 (Audited) KD '000	31 March 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	1,848	2,331	4,875
- Due from other related parties	1,113	1,068	1,113
- Due from key management personnel	233	233	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	278	279	9,593
- Due to other related parties	2,843	1,698	1,661
Long term borrowings – murabaha payable to an associate	15,058	15,069	15,086

	Three months ended 31 March 2014 (Unaudited) KD '000	Three months ended 31 March 2013 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss		
Finance cost charged by an associate	184	244
Management and placement fees earned from related parties	8	19
Purchase of raw materials – from associates	1,046	1,400
Compensation of key management personnel of the Group		
Short term employee benefits	906	894
End of service benefits	30	26
	936	920

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 (KD60,404 thousand), the carrying amounts of other financial assets and liabilities as at 31 March 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 three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows;

At 31 March 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	-	-	54,526	54,526
Other managed portfolio	c	-	9,340	87,507	96,847
-Unquoted equity participations	d	-	-	125,923	125,923
-Quoted shares	a	422,604	-	-	422,604
Investment at fair value through profit or loss					
-Quoted shares	a	40,573	-	-	40,573
-Local funds	b	-	9,704	-	9,704
-International managed portfolios and funds	e	-	-	16,892	16,892
Total assets		463,177	19,044	284,848	767,069

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 date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 March 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	1,601	(1,143)
Impairment recognised in profit or loss	(420)	(8,748)
Net change in fair value recognised in profit or loss	40	2,115
Net addition/(disposals) during the period/year	4,110	(33,529)
Reclassified from carried at cost to fair valued investments	-	1,505
Closing balance	284,848	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 (Shenzhou) Limited put into liquidation in September 2013) and the operating losses of those two subsidiaries are summarised below:

	Three months ended 31 March 2013 KD '000
Sales	261
Cost of sales	(223)
Gross profit	38
Distribution costs	(32)
General, administrative and other expenses	(32)
	(26)
Finance costs	(18)
Loss for the period from discontinued operations	(44)

17 Annual general assembly and dividend distributions

The Annual General Assembly of the Parent Company for the year ended 31 December 2013 is scheduled to be held on 28 May 2014. Accordingly, the consolidated financial statements for the year ended 31 December 2013 have not yet been approved by the shareholders; hence the opening balances are subject to shareholders' approval.

Subject to the requisite consent of the relevant authorities and approval from the scheduled general assembly as at 28 May 2014 the Parent Company's Board of Directors propose 5% bonus shares on outstanding shares as at 31 December 2013 (2012: Nil) and not to distribute any cash dividend (2012: Nil).

18 Contingent liabilities

At 31 March 2014, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD13,097 thousand (31 December 2013: KD12,795 thousand and 31 March 2013: KD11,770 thousand).

Notes of the interim condensed consolidated financial information (continued)

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 31 March 2014 amounted to KD7,150 thousand (31 December 2013: KD6,804 thousand and 31 March 2013: KD28,684 thousand) of which assets managed on behalf of related parties amounted to KD4,384 thousand (31 December 2013: KD4,234 thousand and 31 March 2013: KD4,588 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 KD26,875 thousand (31 December 2013: KD25,438 thousand and 31 March 2013: KD26,656 thousand).

21 Subsequent events

Subsequent to the reporting date on 2 April 2014, the Parent Company signed a "Term Sheet" with a buyer to dispose 29.9% of its holding in it's subsidiary, Noor Financial Investment Company KPSC ("Noor") for a consideration of approximately KD28 Mn. The purpose of the "Term Sheet" is 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 expects 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. The net results of the transaction will depend on the date on which all legal procedures are completed to effect the sale (which results in the Group losing control over the subsidiary, "Noor") and the net assets of "Noor" which have been included in the Group's consolidated financial statements as of that date. The Parent Company's management expects to complete the sale within 6 months.

22 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.