

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

31 March 2015 (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 31 March 2015 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, as amended, and its Executive Regulations or the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2015 that might have had a material effect on the business or financial position of the Group.

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Kuwait

12 May 2015

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
Sales		34,130	32,375
Cost of sales		(25,944)	(25,047)
Gross profit		8,186	7,328
Income from investments	4	10,420	12,987
Share of results of associates	7	6,413	2,844
Realised gain on disposal of investment properties		-	240
Rental income		363	383
Interest and other income		370	585
Distribution costs		(1,669)	(1,313)
General, administrative and other expenses		(6,033)	(5,698)
Loss on foreign currency exchange		(2,503)	(6)
		15,547	17,350
Finance costs		(7,159)	(7,667)
Impairment in value of available for sale investments	8	(833)	(487)
Impairment in value of investment in associates		-	(111)
Impairment in value of accounts receivables and other assets		-	(711)
Profit before taxation and other statutory contributions		7,555	8,374
Taxation and other statutory contributions	5	(320)	(321)
Profit for the period		7,235	8,053
Attributable to :			
Owners of the Parent Company		5,916	5,044
Non-controlling interests		1,319	3,009
		7,235	8,053
Basic and diluted earnings per share attributable to the owners of the parent	6	4.5 Fils	3.8 Fils

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
Profit for the period	7,235	8,053
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	1,436	3,516
Available for sale investments:		
- Net changes in fair value arising during the period	(3,729)	12,594
- Transferred to consolidated statement of profit or loss on disposals	(2,020)	(3,672)
- Transferred to consolidated statement of profit or loss on impairment	833	487
Share of other comprehensive income of associates	(4,859)	1,246
- Changes in fair value		
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	(8,339)	14,171
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		
Defined benefit plan actuarial gains	213	83
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	213	83
Total other comprehensive income for the period	(8,126)	14,254
Total comprehensive income for the period	(891)	22,307
Total comprehensive income attributable to:		
Owners of the parent company	(1,123)	15,957
Non-controlling interests	232	6,350
	(891)	22,307

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		17,466	17,530	9,403
Property, plant and equipment		70,745	70,647	70,185
Investment in associates	7	330,340	330,968	301,762
Investment properties		64,539	61,425	55,849
Available for sale investments	8	613,457	616,919	680,157
Accounts receivable		2,269	2,102	2,147
Total non-current assets		1,098,816	1,099,591	1,119,503
Current assets				
Inventories		36,921	32,023	29,876
Available for sale investments	8	60,330	63,352	80,147
Accounts receivable and other assets		59,893	70,609	59,432
Murabaha and wakala investments	13	2,099	598	592
Investments at fair value through profit or loss	9	71,748	59,706	67,169
Short-term deposits	13	13,052	6,715	2,523
Bank balances and cash	13	50,012	53,354	34,060
Total current assets		294,055	286,357	273,799
Total assets		1,392,871	1,385,948	1,393,302
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	10	135,985	135,985	129,510
Treasury shares		(30,375)	(30,375)	(30,375)
Share premium	10	122,962	122,962	122,962
Cumulative changes in fair value		152,401	160,785	173,422
Other components of equity	11	28,299	27,167	20,399
Retained earnings		29,272	23,849	15,471
Equity attributable to owners of the parent company		438,544	440,373	431,389
Non-controlling interests		152,065	146,729	149,835
Total equity		590,609	587,102	581,224
Non-current liabilities				
Long-term borrowings	12	386,136	370,254	518,322
Leasing creditors		531	478	501
Provisions		15,682	15,809	12,681
Total non-current liabilities		402,349	386,541	531,504
Current liabilities				
Accounts payable and other liabilities		58,268	55,178	49,812
Short-term borrowings	12	320,818	335,453	209,970
Due to banks	13	20,827	21,674	20,792
Total current liabilities		399,913	412,305	280,574
Total liabilities		802,262	798,846	812,078
Total equity and liabilities		1,392,871	1,385,948	1,393,302

Sa'ad Mohammed Al-Sa'ad
Chairman



Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 20 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
					Other	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2015	135,985	(30,375)	122,962	160,785	27,167	23,849	440,373
Transactions with owners							
Increase in non-controlling interests of a subsidiary during the period (Note 10e)	-	-	-	-	-	(706)	(706)
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	(706)	(706)
Comprehensive income							
Profit for the period	-	-	-	-	-	5,916	5,916
Other comprehensive income for the period (actuarial gains and others)	-	-	-	(8,384)	1,132	213	(7,039)
Total comprehensive income for the period	-	-	-	(8,384)	1,132	6,129	(1,123)
Balance at 31 March 2015	135,985	(30,375)	122,962	152,401	28,299	29,272	438,544
						152,065	590,609

The notes set out on pages 9 to 20 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
Balance at 1 January 2014	129,510	(30,375)	122,962	164,439	18,552	10,344	415,432	147,976
Transactions with owners								
Amount due to non-controlling interests on reduction of share capital of a subsidiary	-	-	-	-	-	-	-	(3,911)
Net change in non-controlling interests	-	-	-	-	-	-	-	(580)
Total transactions with owners	-	-	-	-	-	-	-	(4,491)
Comprehensive income								
Profit for the period	-	-	-	-	-	5,044	5,044	3,009
Other comprehensive income for the period (actuarial gains and others)	-	-	-	8,983	1,847	83	10,913	3,341
Total comprehensive income for the period	-	-	-	8,983	1,847	5,127	15,957	6,350
Balance at 31 March 2014	129,510	(30,375)	122,962	173,422	20,399	15,471	431,389	149,835
				</				

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before taxation and other statutory contributions	7,555	8,374
Adjustments for :		
Depreciation of property, plant and equipment	1,634	1,670
Realised gain on disposal of investment properties	-	(240)
Share of results of associates	(6,413)	(2,844)
Dividend income from available for sale investments	(5,902)	(5,415)
Impairment in value of available for sale investments	833	487
Impairment in value of associates	-	111
Impairment in value of accounts receivable and other assets	-	711
Profit on sale of available for sale investments	(2,517)	(4,169)
Net provisions released	(127)	(7)
Finance costs	7,159	7,667
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(37)	(151)
	2,185	6,194
Changes in operating assets and liabilities:		
Inventories	(4,898)	2,032
Accounts receivable and other assets	9,176	6,792
Investments at fair value through profit or loss	(12,042)	(1,970)
Accounts payable and other liabilities	3,682	(3,266)
	(1,897)	9,782
Cash (used in)/from operations	-	(50)
Taxation paid		
Net cash (used in)/from operating activities	(1,897)	9,732

The notes set out on pages 9 to 20 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 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,081)	(1,033)
Additions to investment in associates		(941)	(676)
Purchase of investment properties		(3,114)	(7,766)
Purchase of available for sale investments		(4,361)	(7,925)
Dividend income received from investment in associates		3,634	708
Proceeds from sale of available for sale investments		7,611	9,030
Decrease in wakala investments maturing after three months		-	3,908
Increase in blocked balances		(29)	(161)
Dividend income received from available for sale investments		5,902	5,415
Proceeds from sale of investment property		-	2,100
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		37	188
Net cash from investing activities		7,658	3,788
FINANCING ACTIVITIES			
Finance lease movement		53	456
Net increase/(decrease) in long-term borrowings		15,882	(11,310)
Net (decrease)/increase in short-term borrowings		(14,635)	9,595
Dividend paid to owners of the parent		-	(56)
Finance costs paid		(7,762)	(7,231)
Decrease in non-controlling interests		4,398	(580)
Net cash used in financing activities		(2,064)	(9,126)
Net increase in cash and cash equivalents		3,697	4,394
Translation difference		116	(4)
		3,813	4,390
Cash and cash equivalents at beginning of the period		35,558	9,816
Cash and cash equivalents at end of the period	13	39,371	14,206

The notes set out on pages 9 to 20 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 address of the Parent Company’s registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the Parent Company approved this interim condensed consolidated financial information for issue on 12 May 2015.

The annual consolidated financial statement for the year ended 31 December 2014 were authorised for issuance by the Parent Company’s board of director on 29 March 2015 and is subject to the approval of the shareholders at the forth coming Annual General Meeting which is scheduled to be held on 20 May 2015.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2015 has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’.

The opening balances in the interim condensed consolidated financial information are subject to the Parent Company shareholders approval.

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

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

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.

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

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 2014.

Operating results for the three months period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2014.

3 Significant accounting policies

The interim condensed consolidated financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2014. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although there are certain new standards and amendments which apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statement of the Group or the interim condensed consolidated financial information of the Group.

4 Income from investments

	Three months ended 31 March 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
Dividend income:		
- From investments at fair value through profit or loss	148	107
- From available for sale investments	5,902	5,415
Profit on sale of available for sale investments	2,517	4,169
Realised gain on investments at fair value through profit or loss	327	122
Unrealised gain on investments at fair value through profit or loss	1,526	3,174
	10,420	12,987

5 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Three months ended 31 March 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
Current tax expense		
Current period (charge)/credit	(71)	47
	(71)	47

Notes of the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions (continued)

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

	Three months ended 31 March 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(36)	(74)
Provision for National Labour Support Tax (NLST)	(94)	(197)
Provision for Zakat	(41)	(97)
	(171)	(368)
(c) Other taxation – local subsidiary ***	(78)	-
	(320)	(321)

*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 (2014: Nil) as the net taxable results attributable to the Parent Company was a loss.

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

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

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 2015 (Unaudited)	Three months ended 31 March 2014 (Unaudited)
Profit for the year attributable to the owners of the parent company (KD '000)	5,916	5,044
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,325,056,996	1,325,056,996
Basic and diluted earnings per share	4.5 Fils	3.8 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 10b).

The basic and diluted earnings per share reported during the previous period for the three months ended 31 March 2014 was 4.0 Fils.

Notes of the interim condensed consolidated financial information (continued)

7 Investment in associates

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

	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (Unaudited) KD '000
Balance at 1 January	330,968	294,406	294,406
Additions during the period/year	941	2,490	676
Share of results	6,413	41,720	2,844
Share of other comprehensive income	(4,859)	2,472	1,246
Dividend received	(3,634)	(9,122)	(708)
Disposal of associates	-	(3,284)	-
Impairment in value	-	(2,171)	(111)
Foreign currency translation adjustment	511	4,457	3,490
Other adjustments	-	-	(81)
Balance at the end of the period/year	330,340	330,968	301,762

A major portion of an associate with a carrying value of KD113,646 thousand (31 December 2014: KD113,514 thousand and 31 March 2014: KD92,110 thousand) have been subject to an exchangeable options to the lenders of the Group.

8 Available for sale investments

	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (Unaudited) KD '000
Non Current			
Managed funds	126,665	123,335	160,592
Unquoted equity participations	201,057	200,156	177,108
Quoted shares	285,735	293,428	342,457
	613,457	616,919	680,157
Current			
Quoted shares	60,330	63,352	80,147
	673,787	680,271	760,304

- The quoted shares classified as current represent the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.
- At the end of the period, the Group recognised a total impairment loss of KD833 thousand (31 March 2014 : KD487 thousand) for certain quoted and unquoted shares.
- Investments with a fair value of KD194,920 thousand (31 December 2014: KD200,309 thousand and 31 March 2014 : KD205,985 thousand) are secured against term borrowings.

Notes of the interim condensed consolidated financial information (continued)

9 Investments at fair value through profit or loss

	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (Unaudited) KD '000
Held for trading :			
Quoted shares	27,981	32,969	40,573
Designated on initial recognition :			
Local funds	7,821	7,936	9,704
International managed portfolios and funds	35,946	18,801	16,892
	43,767	26,737	26,596
	71,748	59,706	67,169

Quoted shares, held by local subsidiaries, with a fair value of KD4,606 thousand (31 December 2014: KD9,840 thousand and 31 March 2014: KD10,313 thousand) are secured against borrowings.

10 Share capital, share premium, proposed distributions and non controlling interest

Share capital, share premium

- As of 31 March 2015, 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 2014: 1,359,853,075 shares and 31 March 2014: 1,295,098,167 shares).
- At the Annual General Meeting held on 28 May 2014, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 64,754,908 shares of 100 Fils each amounting to KD6,475 thousand.
- Share premium is not available for distribution.

Proposed distributions

- Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors proposed a cash dividend of 12% (2013: Nil) equivalent to 12 Fils per share and bonus shares of Nil for the year ended 31 December 2014 (2013: 5%).

Non controlling interest

- During the current period one of the subsidiaries of the Group increased its share capital from KD11,000 thousand to KD15,000 thousand (40,000 thousand shares with a par value of 100 fils and premium of 10 fils per each share). The Group did not subscribe for this increase and consequently the Group's shareholding in this subsidiary diluted from 100% to 73.32%. The proportionate carrying value of net assets on the date of dilution amounting to KD5,106 thousand relating non-controlling interests has been transferred to non-controlling interest in the interim condensed consolidated statement of changes in equity. Consequently the difference between cash proceeds received and non controlling interests share of net assets on the date of dilution amounting to KD706 thousand has been recognized as a dilution loss in the interim condensed consolidated statement of changes in equity as of 31 March 2015.

Notes of the interim condensed consolidated financial information (continued)

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 2015	8,542	1,694	18,452	(1,521)	27,167
Other comprehensive income:					
Currency translation differences	-	-	-	1,132	1,132
Balances at 31 March 2015	8,542	1,694	18,452	(389)	28,299
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

12 Long term and short term borrowings

During 2011 and 2012, a local subsidiary of the Group restructured its financing arrangements with some local banks and accordingly loans amounting to KD106,845 thousand (net of repayment of KD51,704 thousand) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 31 March 2015, these are partly secured and the process of identification and securitization of the required balance has not been completed as yet.

The local subsidiary is currently in the process of rescheduling the original repayment plan of its loans amounting to KD106,845 thousand including an amount of KD29,490 thousand which was due within one year and KD77,355 thousand due after one year. Loan instalments totalling to KD18,373 thousand (including an amount of KD9,187 thousand which has been paid during December 2014 and during 2015) from two lending bankers fell due and the lenders have agreed to rollover the balance and continue discussions with the subsidiary to reschedule the dues.

13 Murabaha and wakala investments and cash and cash equivalents

13.1 Murabaha and wakala investments

	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (Unaudited) KD '000
Due from a local Islamic investment company/ due from related parties	14,324	14,324	14,324
Provision for impairment in value	(14,324)	(14,324)	(14,324)
	-	-	-
Placed with local Islamic bank	2,099	598	592
	2,099	598	592

No profit was recognised on impaired wakala investments during the current period (31 December 2014 and 31 March 2014 : Nil).

Notes of the interim condensed consolidated financial information (continued)

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

13.1 Murabaha and wakala investments (continued)

Wakala investment of KD14,324 thousand (31 December 2014: KD14,324 thousand and 31 March 2014 : KD14,324 thousand) placed with a local Islamic investment company matured in 2008. The investee company defaulted on settlement of these balances on the maturity date.

During previous years, one of the local subsidiary's of the Group assumed the financial and legal obligations on wakala investments of KD9,968 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group had initiated legal proceedings against the parties to recover the amount including profits thereon. During the year 2014, the court of appeal has ordered the related parties to pay KD8,285 thousand with 7% profits thereon to the Group. However, the related parties submitted appeals to the court of cassation against the order of the court of appeal. The legal proceeding relating to remaining amounts are still in process.

13.2 Cash and cash equivalents

	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (Unaudited) KD '000
Short-term deposits	13,052	6,715	2,523
Bank balances and cash	50,012	53,354	34,060
Due to banks	(20,827)	(21,674)	(20,792)
	42,237	38,395	15,791
Less: Blocked balances	(2,866)	(2,837)	(1,585)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	39,371	35,558	14,206

14 Segmental analysis

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total
	31 March 2015 (Unaudited) KD '000	31 March 2014 (Unaudited) KD '000	31 March 2015 (Unaudited) KD '000	31 March 2014 (Unaudited) KD '000	31 March 2015 (Unaudited) KD '000	31 March 2014 (Unaudited) KD '000	31 March 2015 (Unaudited) KD '000	31 March 2014 (Unaudited) KD '000	
Segment revenue	17,566	17,039	12,616	12,135	17,278	17,314	4,236	51,696	49,414
Less:									
Income from investments								(10,420)	(12,987)
Share of result of associates								(6,413)	(2,844)
Realised gain on disposal of investment properties								-	(240)
Rental income								(363)	(383)
Interest and other income								(370)	(585)
Sales, per interim condensed consolidated statement of profit or loss								34,130	32,375
Segment profit/(loss)	13,848	13,002	1,929	1,849	1,802	1,372	(362)	17,217	16,047
Less:									
Finance costs								(7,159)	(7,667)
Other unallocated loss								(2,503)	(6)
Profit before taxation and other statutory contributions, per interim condensed consolidated statement of profit or loss								7,555	8,374
Segment assets	1,228,980	1,246,059	52,692	54,989	86,406	78,165	24,793	1,392,871	1,393,302
Segment liabilities	(22,708)	(12,684)	(19,491)	(20,596)	(20,886)	(20,760)	(11,396)	(74,481)	(62,994)
Segment net assets	1,206,272	1,233,375	33,201	34,393	65,520	57,405	13,397	1,318,390	1,330,308
Borrowings and due to banks								(727,781)	(749,084)
Total equity per interim condensed consolidated financial statements								590,609	581,224

Notes of the interim condensed consolidated financial information (continued)

15 Related party transactions

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

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

	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (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	2,597	1,724	1,848
- Due from other related parties	33	955	1,113
- Due from key management personnel	233	233	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	1,437	1,419	278
- Due to other related parties	2,492	2,456	2,843
Current portion of long term borrowings – murabaha payable to an associate (included in short term borrowings as of 31 March 2015)	15,029	15,040	15,058
		Three months ended 31 March 2015 (Unaudited) KD '000	Three months ended 31 March 2014 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss			
Finance cost charged by an associate		200	184
Management and placement fees earned from related parties		-	8
Purchase of raw materials – from associates		1,035	1,046
Compensation of key management personnel of the Group			
Short term employee benefits		787	906
End of service benefits		25	30
		812	936

16 Financial instruments

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

Except for certain available for sale investments which are carried at cost (KD58,234 thousand), the carrying amounts of other financial assets and liabilities as at 31 March 2015, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

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

This hierarchy Groups financial assets and liabilities into 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 2015

	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	-	-	32,256	32,256
Other managed portfolio	-	8,841	80,744	89,585
-Unquoted equity participations	-	-	147,647	147,647
-Quoted shares	346,065	-	-	346,065
Investment at fair value through profit or loss				
-Quoted shares	27,981	-	-	27,981
-Local funds	-	7,821	-	7,821
-International managed portfolios and funds	-	-	35,946	35,946
Total assets	374,046	16,662	296,593	687,301

At 31 December 2014

	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	-	-	30,559	30,559
Other managed funds	-	10,528	77,423	87,951
-Unquoted equity participations	-	-	147,461	147,461
-Quoted shares	356,780	-	-	356,780
Investment at fair value through profit or loss				
-Quoted shares	32,969	-	-	32,969
-Local funds	-	7,936	-	7,936
-International managed portfolios and funds	-	-	18,801	18,801
Total assets	389,749	18,464	274,244	682,457

Notes of the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

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

At 31 March 2014

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

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:

	31 March 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	31 March 2014 (Unaudited) KD '000
Opening balance	274,244	279,517	279,517
Net change in fair value recognised in other comprehensive income	4,737	39,156	1,601
Impairment recognised in profit or loss	-	(8,560)	(420)
Net change in fair value recognised in profit or loss	1,607	(1,202)	40
Net addition/(disposals) during the period/year	16,005	(34,667)	4,110
Closing balance	296,593	274,244	284,848

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

The methods and valuation techniques used for the purpose of measuring fair value, are unchanged compared to the previous reporting year/period.

17 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 2015 amounted to KD6,998 thousand (31 December 2014: KD6,906 thousand and 31 March 2014: KD7,150 thousand) of which assets managed on behalf of related parties amounted to KD5,053 thousand (31 December 2014: KD5,085 thousand and 31 March 2014 : KD4,384 thousand).

Notes of the interim condensed consolidated financial information (continued)

18 Contingent liabilities

31 March 2015, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD21,668 thousand (31 December 2014: KD30,589 thousand and 31 March 2014: KD13,097 thousand)

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 KD23,143 thousand (31 December 2014: KD24,510 thousand and 31 March 2014: KD26,875 thousand).