

Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 March 2016 (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 2016 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the 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 requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016, and the Executive Regulations of Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2016 that might have had a material effect on the business or financial position of the Group.

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Kuwait

12 May 2016

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
Sales		30,081	34,130
Cost of sales		(24,803)	(25,944)
Gross profit		5,278	8,186
Income from investments	4	1,769	10,420
Share of results of associates	7	5,974	6,413
Rental income		601	363
Interest and other income		430	370
Distribution costs		(1,752)	(1,669)
General, administrative and other expenses		(5,007)	(6,033)
Finance costs		7,293	18,050
Impairment in value of available for sale investments	8	(6,838)	(7,159)
Gain/(loss) on foreign currency exchange		(411)	(833)
		419	(2,503)
Profit before foreign taxation		463	7,555
Foreign taxation	5 a	(59)	(149)
Profit before KFAS, NLST and Zakat		404	7,406
KFAS, NLST and Zakat	5 b	(72)	(171)
Profit for the period		332	7,235
Attributable to :			
Owners of the Parent Company		386	5,916
Non-controlling interests		(54)	1,319
		332	7,235
Basic and diluted earnings per share attributable to the owners of the parent	6	0.3 Fils	4.5 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 profit or loss and other comprehensive income

	Three months ended 31 March 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
Profit for the period	332	7,235
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	(674)	1,436
Available for sale investments:		
- Net changes in fair value arising during the period	(33,942)	(3,729)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	(210)	(2,020)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	411	833
Share of other comprehensive income of associates		
- Changes in fair value	596	(4,859)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	(33,819)	(8,339)
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial gains	319	213
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	319	213
Total other comprehensive income for the period	(33,500)	(8,126)
Total comprehensive income for the period	(33,168)	(891)
Total comprehensive income attributable to:		
Owners of the parent company	(27,406)	(1,123)
Non-controlling interests	(5,762)	232
	(33,168)	(891)

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 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		12,327	12,823	17,466
Property, plant and equipment		69,962	70,668	70,745
Investment in associates	7	340,746	337,187	330,340
Investment properties		71,176	69,482	64,539
Available for sale investments	8	460,201	493,909	613,457
Accounts receivable		1,058	1,550	2,269
Total non-current assets		955,470	985,619	1,098,816
Current assets				
Inventories		33,794	34,054	36,921
Available for sale investments	8	39,939	47,328	60,330
Accounts receivable and other assets	9	67,782	87,264	59,893
Murabaha and wakala investments	14	1,005	1,000	2,099
Investments at fair value through profit or loss	10	79,421	84,033	71,748
Short-term deposits	14	20,936	16,661	13,052
Bank balances and cash	14	28,100	43,383	50,012
Total current assets		270,977	313,723	294,055
Total assets		1,226,447	1,299,342	1,392,871
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	11	135,985	135,985	135,985
Treasury shares		(30,375)	(30,375)	(30,375)
Share premium	11	122,962	122,962	122,962
Cumulative changes in fair value		68,743	96,378	152,401
Other components of equity	12	28,351	28,827	28,299
Retained earnings		30,930	30,225	29,272
Equity attributable to owners of the parent company		356,596	384,002	438,544
Non-controlling interests		123,061	128,909	152,065
Total equity		479,657	512,911	590,609
Non-current liabilities				
Long-term borrowings	13	424,571	437,845	386,136
Leasing creditors		314	424	531
Provisions		14,865	15,436	15,682
Total non-current liabilities		439,750	453,705	402,349
Current liabilities				
Accounts payable and other liabilities		47,272	49,621	58,268
Short-term borrowings	13	238,405	263,190	320,818
Due to banks	14	21,363	19,915	20,827
Total current liabilities		307,040	332,726	399,913
Total liabilities		746,790	786,431	802,262
Total equity and liabilities		1,226,447	1,299,342	1,392,871


Suliman Hamad Al-Dalali
Vice 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 (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 12) KD '000	Retained earnings KD '000	Sub-Total KD '000	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	146,729	587,102
Transactions with owners									
Increase in non-controlling interests of a subsidiary during the period	-	-	-	-	-	(706)	(706)	5,106	4,400
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	(2)	(2)
Total transactions with owners	-	-	-	-	-	(706)	(706)	5,104	4,398
Comprehensive income									
Profit for the period	-	-	-	-	-	5,916	5,916	1,319	7,235
Other comprehensive income for the period (actuarial gains and others)	-	-	-	(8,384)	1,132	213	(7,039)	(1,087)	(8,126)
Total comprehensive income for the period	-	-	-	(8,384)	1,132	6,129	(1,123)	232	(891)
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 cash flows

	Three months ended 31 March 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before foreign taxation	463	7,555
Adjustments for :		
Depreciation and amortisation	1,719	1,634
Share of results of associates	(5,974)	(6,413)
Dividend income from available for sale investments	(3,407)	(5,902)
Impairment in value of available for sale investments	411	833
Profit on sale of available for sale investments	(855)	(2,517)
Net provisions released	(571)	(127)
Finance costs	6,838	7,159
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(84)	(37)
	(1,460)	2,185
Changes in operating assets and liabilities:		
Inventories	260	(4,898)
Accounts receivable and other assets	19,974	9,176
Investments at fair value through profit or loss	4,612	(12,042)
Accounts payable and other liabilities	(1,252)	3,682
Cash from/(used in) operations	22,134	(1,897)
Taxation paid	(38)	-
KFAS, NLST and Zakat paid	(2)	-
Net cash from/(used in) operating activities	22,094	(1,897)

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 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,373)	(1,081)
Additions to investment in associates		(372)	(941)
Addition to investment properties		(1,694)	(3,114)
Purchase of available for sale investments		(2,785)	(4,361)
Dividend received from associate companies		3,269	3,634
Proceeds from sale of available for sale investments		10,585	7,611
Increase in wakala investments maturing after three months		(5)	-
Increase in blocked balances		-	(29)
Dividend income received from available for sale investments		3,407	5,902
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		39	37
Net cash from investing activities		11,071	7,658
FINANCING ACTIVITIES			
Finance lease movement		(110)	53
Net (decrease)/increase in long-term borrowings		(36,013)	15,882
Net decrease in short-term borrowings		(2,046)	(14,635)
Dividend paid to owners of the parent		(125)	-
Finance costs paid		(7,212)	(7,762)
Change in non-controlling interests		(86)	4,398
Net cash used in financing activities		(45,592)	(2,064)
Net (decrease)/increase in cash and cash equivalents		(12,427)	3,697
Translation difference		(29)	116
		(12,456)	3,813
Cash and cash equivalents at beginning of the period		39,804	35,558
Cash and cash equivalents at end of the period	14	27,348	39,371

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 new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the Executive Regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new Executive Regulations.

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 2016.

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

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2016 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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

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

Notes of the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

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

3 Significant accounting policies

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

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

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

4 Income from investments

	Three months ended 31 March 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
Dividend income:		
- From investments at fair value through profit or loss	193	148
- From available for sale investments	3,407	5,902
Profit on sale of available for sale investments	855	2,517
Realised (loss)/gain on investments at fair value through profit or loss	(9)	327
Unrealised (loss)/gain on investments at fair value through profit or loss	(2,677)	1,526
	1,769	10,420

Notes of the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended 31 March 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
<i>Taxation of foreign subsidiaries*</i>		
Current tax expense	(59)	(71)
Current period charge	(59)	(71)
<i>Other taxation- local subsidiaries**</i>		
Current period charge	-	(78)
	-	(78)
	(59)	(149)

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

	Three months ended 31 March 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(18)	(36)
Provision for National Labour Support Tax (NLST)	(33)	(94)
Provision for Zakat	(21)	(41)
	(72)	(171)

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

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

***The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current period (2015: Nil) as the net taxable results attributable to the Parent Company was a loss.

Notes of the interim condensed consolidated financial information (continued)

6 Basic and diluted 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 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Profit for the year attributable to the owners of the Parent Company (KD '000)	386	5,916
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	0.3 Fils	4.5 Fils

7 Investment in associates

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

	31 March 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Balance at 1 January	337,187	330,968	330,968
Additions during the period/year	372	3,922	941
Share of results	5,974	26,913	6,413
Share of other comprehensive income	596	(9,119)	(4,859)
Dividend received	(3,269)	(10,676)	(3,634)
Disposal of associates	-	(4,419)	-
Impairment in value	-	(617)	-
Foreign currency translation adjustment	(114)	296	511
Other adjustments	-	(81)	-
Balance at the end of the period/year	340,746	337,187	330,340

8 Available for sale investments

	31 March 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Non Current			
Managed funds	109,166	115,786	126,665
Unquoted equity participations	185,466	189,258	201,057
Quoted shares	165,569	188,865	285,735
	460,201	493,909	613,457
Current			
Quoted shares	39,939	47,328	60,330
	500,140	541,237	673,787

Notes of the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

- a) The quoted shares classified as current represent the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.
- b) At the end of the period, the Group recognised a total impairment loss of KD411 thousand (31 March 2015: KD833 thousand) for certain quoted and unquoted shares.
- c) Investments with a fair value of KD180,465 thousand (31 December 2015: KD181,450 thousand and 31 March 2015 : KD194,920 thousand) are secured against borrowings.

9 Accounts receivable and other assets

Accounts receivable and other assets as of 31 December 2015 included an amount of KD22,459 thousand due on sale of available for sale investments of one of the local subsidiaries of the Group and the amount was fully received during the current quarter.

10 Investments at fair value through profit or loss

	31 March 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Held for trading :			
Quoted shares	23,260	24,253	27,981
Designated on initial recognition :			
Local funds	8,193	7,709	7,821
International managed portfolios and funds	47,968	52,071	35,946
	56,161	59,780	43,767
	79,421	84,033	71,748

Quoted shares, held by local subsidiaries, with a fair value of KD3,236 thousand (31 December 2015: KD3,586 thousand and 31 March 2015: KD4,606 thousand) are secured against borrowings.

11 Share capital, share premium and dividend distributions

Share capital and share premium

- a) As of 31 March 2016, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2015: 1,359,853,075 shares and 31 March 2015 : 1,359,853,075 shares).
- b) Share premium is not available for distribution.

Proposed distribution

- c) At the Annual General Meeting held on 1 May 2016, the shareholders approved a cash dividend of 10% (2014: 12%) equivalent to 10 Fils (2014: 12 Fils) per share for the year ended 31 December 2015 and this will be recorded during the 2nd quarter of 2016.

Notes of the interim condensed consolidated financial information (continued)

12 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2016	11,167	1,694	18,452	(2,486)	28,827
Other comprehensive income:					
Currency translation differences	-	-	-	(476)	(476)
Balances at 31 March 2016	11,167	1,694	18,452	(2,962)	28,351
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

13 Long term and short term borrowings

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

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

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

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

Notes of the interim condensed consolidated financial information (continued)

14 Murabaha and wakala investments and cash and cash equivalents

14.1 Murabaha and wakala investments

	31 March 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Due from a local Islamic investment company/ due from related parties	14,324 (14,324)	14,324 (14,324)	14,324 (14,324)
Provision for impairment in value	-	-	-
Placed with local Islamic bank	1,005	1,000	2,099
	1,005	1,000	2,099

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

Wakala investments of KD14,324 thousand (31 December 2015: KD14,324 thousand and 31 March 2015: KD14,324) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd and 3rd instalment due in June 2014 and 2015 respectively. Full provision is made for receivable in accordance with the Central Bank of Kuwait provision rules.

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

14.2 Cash and cash equivalents

	31 March 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Short-term deposits	20,936	16,661	13,052
Bank balances and cash	28,100	43,383	50,012
Due to banks	(21,363)	(19,915)	(20,827)
	27,673	40,129	42,237
Less: Blocked balances	(325)	(325)	(2,866)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	27,348	39,804	39,371

Notes of the interim condensed consolidated financial information (continued)

16 Related party transactions

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

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

	31 March 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Balances included in interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	1,870	1,870	2,597
- Due from other related parties	3,281	2,476	33
- Due from key management personnel	231	231	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	238	238	1,437
- Due to other related parties	491	514	2,492
Current portion of long term borrowings – murabaha payable to an associate (included in short term borrowings)	-	-	15,029
		Three months ended 31 March 2016 (Unaudited) KD '000	Three months ended 31 March 2015 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss			
Finance cost charged by an associate		-	200
Purchase of raw materials – from associates		951	1,035
Compensation of key management personnel of the Group			
Short term employee benefits		788	787
End of service benefits		140	25
		928	812

17 Financial instruments

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

Except for certain available for sale investments which are carried at cost (KD20,832 thousand), the carrying amounts of other financial assets and liabilities as at 31 March 2016, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

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

This hierarchy groups financial assets and liabilities into 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 2016

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	Balance KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	26,647	26,647
Other managed portfolio	-	4,724	73,935	78,659
-Unquoted equity participations	-	14,268	154,226	168,494
-Quoted shares	191,839	933	12,736	205,508
Investment at fair value through profit or loss				
-Quoted shares	23,260	-	-	23,260
-Local funds	-	8,193	-	8,193
-International managed portfolios and funds	5,385	31,865	10,719	47,969
Total assets	220,484	59,983	278,263	558,730

At 31 December 2015

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

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

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

At 31 March 2015

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	32,256	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

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 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	31 March 2015 (Unaudited) KD '000
Opening balance	286,587	274,244	274,244
Net change in fair value recognised in other comprehensive income	(8,713)	7,393	4,737
Impairment recognised in profit or loss	-	(2,164)	-
Net change in fair value recognised in profit or loss	(112)	1,156	1,607
Net addition/(disposals) during the period/year	501	(8,431)	16,005
Reclassification	-	14,389	-
Closing balance	278,263	286,587	296,593

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

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

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 31 March 2016 amounted to KD2,878 thousand (31 December 2015: KD4,712 thousand and 31 March 2015: KD6,998 thousand) of which assets managed on behalf of related parties amounted to KD1,003 thousand (31 December 2015: KD2,713 thousand and 31 March 2015 : KD5,053 thousand).

Notes of the interim condensed consolidated financial information (continued)

19 Contingent liabilities

During the period 31 March 2016, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD21,994 thousand (31 December 2015: KD20,773 thousand and 31 March 2015: KD21,668 thousand).

20 Capital commitments

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling to KD38,067 thousand (31 December 2015: KD36,481 thousand and 31 March 2015: KD23,143 thousand).

21 Comparative information

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