Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 September 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 30 September 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 nine-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 its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2016 that might have had a material effect on the business or financial position of the Group.

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Kuwait
14 November 2016

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 Sept. 2016 (Unaudited) KD '000	Three months ended 30 Sept. 2015 (Unaudited) KD '000	Nine months ended 30 Sept. 2016 (Unaudited) KD '000	Nine months ended 30 Sept. 2015 (Unaudited) KD '000
Sales		26,849	31,738	82,968	103,285
Cost of sales		(21,747)	(24,907)	(68,267)	(79,559)
Gross profit		5,102	6,831	14,701	23,726
Income from investments	4	3,515	490	9,499	19,640
Profit on disposal of associates		-	391	-	391
Share of results of associates	7	4,737	5,107	16,030	17,851
Realized loss on disposal of investment properties	9b	(902)	-	(852)	-
Rental income		425	603	1,634	1,451
Interest and other income		450	2,341	1,300	3,306
Distribution costs		(1,645)	(1,707)	(5,153)	(5,175)
General, administrative and other expenses		(4,822)	(5,609)	(15,082)	(17,429)
Gain/(loss) on foreign currency exchange		103	999	506	(2,652)
		6,963	9,446	22,583	41,109
Finance costs		(7,157)	(7,033)	(20,803)	(21,790)
Impairment in value of investment in associate	7	-	(389)	-	(433)
Impairment in value of available for sale investments	8	(446)	(577)	(5,170)	(2,608)
Impairment in value of accounts receivables and other assets		-	-	(537)	(6)
(Loss)/profit before foreign taxation		(640)	1,447	(3,927)	16,272
Foreign taxation	5a	(83)	(375)	(266)	(846)
(Loss)/profit before KFAS, NLST and Zakat		(723)	1,072	(4,193)	15,426
(Provision for)/reversal of KFAS, NLST and Zakat	5b	(122)	57	(182)	(412)
(Loss)/profit for the period		(845)	1,129	(4,375)	15,014
Attributable to :					
Owners of the parent company		(699)	476	(5,057)	9,851
Non-controlling interests		(146)	653	682	5,163
		(845)	1,129	(4,375)	15,014
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company	6	(0.5) Fils	0.4 Fils	(3.8) Fils	7.4 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 profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2016 (Unaudited)	30 Sept. 2015 (Unaudited)	**30 Sept. 2016 (Unaudited)**	30 Sept. 2015 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
(Loss)/profit for the period	**(845)**	1,129	**(4,375)**	15,014
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	**(501)**	(10)	**918**	776
Available for sale investments:				
- Net changes in fair value arising during the period	**14,713**	(60,279)	**(15,984)**	(66,396)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	**(528)**	(1,294)	**(5,276)**	(4,709)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**446**	577	**5,170**	2,608
Share of other comprehensive income of associates				
- Change in fair value	**111**	(1,579)	**12**	(6,291)
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	**14,241**	(62,585)	**(15,160)**	(74,012)
Items not to be reclassified to profit or loss in subsequent periods				
Defined benefit plan actuarial loss	**(1,667)**	(889)	**(1,969)**	(714)
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	**(1,667)**	(889)	**(1,969)**	(714)
Total other comprehensive income for the period	**12,574**	(63,474)	**(17,129)**	(74,726)
Total comprehensive income for the period	**11,729**	(62,345)	**(21,504)**	(59,712)
Total comprehensive income attributable to:				
Owners of the parent company	**11,455**	(46,826)	**(21,188)**	(46,937)
Non-controlling interests	**274**	(15,519)	**(316)**	(12,775)
	11,729	(62,345)	**(21,504)**	(59,712)

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	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 2015 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		14,286	12,823	14,976
Property, plant and equipment		71,112	70,668	70,753
Investment in associates	7	344,399	337,187	330,950
Investment properties		65,272	69,482	68,791
Available for sale investments	8	476,886	493,909	555,158
Accounts receivable		1,021	1,550	1,593
Total non-current assets		972,976	985,619	1,042,221
Current assets				
Inventories		35,097	34,054	37,309
Available for sale investments	8	39,698	47,328	48,088
Accounts receivable and other assets	9	67,824	87,264	52,920
Murabaha and wakala investments	14	1,008	1,000	-
Investments at fair value through profit or loss	10	75,038	84,033	80,002
Short-term deposits and investments	14	9,636	16,661	14,138
Bank balances and cash	14	30,789	43,383	35,592
Total current assets		259,090	313,723	268,049
Total assets		1,232,066	1,299,342	1,310,270
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		81,101	96,378	103,776
Other components of equity	12	29,942	28,827	28,102
Retained earnings		9,739	30,225	16,377
Equity attributable to owners of the parent company		349,354	384,002	376,827
Non-controlling interests		126,821	128,909	132,110
Total equity		476,175	512,911	508,937
Non-current liabilities				
Long-term borrowings	13	338,741	437,845	456,901
Leasing creditors		202	424	458
Provisions		16,790	15,436	16,106
Total non-current liabilities		355,733	453,705	473,465
Current liabilities				
Accounts payable and other liabilities		45,050	49,621	63,500
Short-term borrowings	13	330,168	263,190	244,455
Due to banks	14	24,940	19,915	19,913
Total current liabilities		400,158	332,726	327,868
Total liabilities		755,891	786,431	801,333
Total equity and liabilities		1,232,066	1,299,342	1,310,270

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 12) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2016	**135,985**	**(30,375)**	**122,962**	**96,378**	**28,827**	**30,225**	**384,002**	**128,909**	**512,911**
Transactions with owners									
Increase in non-controlling interests of an indirect subsidiary (Note 11d)	-	-	-	-	-	(209)	(209)	2,049	1,840
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	757	757
Dividend paid (Note 11c)	-	-	-	-	-	(13,251)	(13,251)	-	(13,251)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,817)	(4,817)
Other changes in non-controlling interests	-	-	-	-	-	-	-	239	239
Total transactions with owners	-	-	-	-	-	(13,460)	(13,460)	(1,772)	(15,232)
Comprehensive income									
(Loss)/profit for the period	-	-	-	-	-	(5,057)	(5,057)	682	(4,375)
Other comprehensive income for the period (actuarial losses and others)	-	-	-	(15,277)	1,115	(1,969)	(16,131)	(998)	(17,129)
Total comprehensive income for the period	-	-	-	(15,277)	1,115	(7,026)	(21,188)	(316)	(21,504)
Balance at 30 September 2016	**135,985**	**(30,375)**	**122,962**	**81,101**	**29,942**	**9,739**	**349,354**	**126,821**	**476,175**

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 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 (Note 11d)	-	-	-	-	-	(708)	(708)	5,108	4,400
Redemption of units/ share capital by non-controlling interest of subsidiary	-	-	-	-	-	-	-	(1,750)	(1,750)
Dividend paid	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,975)	(4,975)
Other changes in non-controlling interests	-	-	-	-	-	-	-	(227)	(227)
Total transactions with owners	-	-	-	-	-	(16,609)	(16,609)	(1,844)	(18,453)
Comprehensive income									
Profit for the period	-	-	-	-	-	9,851	9,851	5,163	15,014
Other comprehensive income for the period (actuarial gains and others)	-	-	-	(57,009)	935	(714)	(56,788)	(17,938)	(74,726)
Total comprehensive income for the period	-	-	-	(57,009)	935	9,137	(46,937)	(12,775)	(59,712)
Balance at 30 September 2015	135,985	(30,375)	122,962	103,776	28,102	16,377	376,827	132,110	508,937

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

	Nine months ended 30 Sept. 2016 (Unaudited) KD '000	Nine months ended 30 Sept. 2015 (Unaudited) KD '000
OPERATING ACTIVITIES		
(Loss)/profit before foreign taxation	**(3,927)**	16,272
Adjustments for :		
Depreciation and amortisation	**5,449**	4,927
Realised loss on disposal of investment properties	**852**	-
Share of results of associates	**(16,030)**	(17,851)
Profit on disposal of associates	**-**	(391)
Impairment in value of investments in associate	**-**	433
Dividend income from available for sale investments	**(5,841)**	(13,962)
Impairment in value of available for sale investments	**5,170**	2,608
Impairment in value of accounts receivables and other assets	**537**	6
Profit on sale of available for sale investments	**(1,751)**	(7,602)
Net provision charged	**1,354**	297
Finance costs	**20,803**	21,790
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(491)**	(371)
	6,125	6,156
Changes in operating assets and liabilities:		
Inventories	**(1,043)**	(5,286)
Accounts receivable and other assets	**3,460**	18,192
Investments at fair value through profit or loss	**8,995**	(20,296)
Accounts payable and other liabilities	**(6,065)**	8,707
Cash from operations	**11,472**	7,473
Taxation paid	**(268)**	(237)
KFAS, Zakat & NLST paid	**(66)**	(580)
Net cash from operating activities	**11,138**	6,656

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	Nine months ended 30 Sept. 2016 (Unaudited) KD '000	Nine months ended 30 Sept. 2015 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(6,400)**	(7,333)
Purchase of investment properties		**(6,191)**	(5,066)
Proceeds from sale of investment properties		**3,350**	-
Proceeds from disposal/capital reduction of associates		**224**	4,695
Addition to investment in associates		**(933)**	(3,398)
Dividend received from associates		**9,286**	10,569
Purchase of available for sale investments		**(9,979)**	(12,287)
Proceeds from sale of available for sale investments		**37,583**	25,809
(Increase)/decrease in wakala investments maturing after three months		**(8)**	598
Increase of short term deposit maturing after three months		**(620)**	(260)
(Increase)/decrease in block balances		**(1)**	2,512
Dividend income received from available for sale investments		**5,841**	13,962
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		**183**	187
Net cash from investing activities		**32,335**	29,988
FINANCING ACTIVITIES			
Finance lease movement		**(222)**	(250)
Net (decrease)/increase in long-term borrowings		**(49,775)**	120,647
Net increase/(decrease) in short-term borrowings		**17,649**	(124,998)
Dividend paid to owners of the parent		**(13,914)**	(15,157)
Finance costs paid		**(20,666)**	(21,518)
Decrease in non-controlling interests		**(1,772)**	(1,844)
Net cash used in financing activities		**(68,700)**	(43,120)
Net decrease in cash and cash equivalents		**(25,227)**	(6,476)
Translation difference		**(38)**	150
		(25,265)	(6,326)
Cash and cash equivalents at beginning of the period		**39,804**	35,558
Cash and cash equivalents at end of the period	14	**14,539**	29,232

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 trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

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

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The board of directors of the Parent Company approved this interim condensed consolidated financial information for issue on 14 November 2016.

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

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 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 nine-months period ended 30 September 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:

Standard or Interpretation	*Effective for annual periods beginning*
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		Nine months ended	
	30 Sept. 2016 (Unaudited)	30 Sept. 2015 (Unaudited)	**30 Sept. 2016 (Unaudited)**	30 Sept. 2015 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Dividend income:				
- From investments at fair value through profit or loss	**24**	24	**582**	648
- From available for sale investments	**345**	1,681	**5,841**	13,962
Profit on sale of available for sale investments	**377**	3,539	**1,751**	7,602
Realised gain/(loss) on investments at fair value through profit or loss	**178**	(85)	**174**	406
Unrealised gain/(loss) on investments at fair value through profit or loss	**2,591**	(4,669)	**1,151**	(2,978)
	3,515	490	**9,499**	19,640

Notes of the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Nine months ended	
	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	**30 Sept. 2016 (Unaudited) KD '000**	30 Sept. 2015 (Unaudited) KD '000
*Taxation of foreign subsidiaries**				
Current tax expense				
Current period charge	**(83)**	(302)	**(266)**	(557)
	(83)	(302)	**(266)**	(557)
*Other taxation- local subsidiaries***				
Current period charge	**-**	(73)	**-**	(289)
	(83)	(375)	**(266)**	(846)

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

	Three months ended		Nine months ended	
	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	**30 Sept. 2016 (Unaudited) KD '000**	30 Sept. 2015 (Unaudited) KD '000
(Contributions)/reversal of provision to Kuwait Foundation for Advancement of Science (KFAS)	**(23)**	7	**(42)**	(103)
(Provision for)/reversal of National Labour Support Tax (NLST)	**(71)**	44	**(94)**	(211)
(Provision for)/reversal of Zakat	**(28)**	6	**(46)**	(98)
	(122)	57	**(182)**	(412)

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

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

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

Notes of the interim condensed consolidated financial information (continued)

6 Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company

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

	Three months ended		Nine months ended	
	30 Sept. 2016 (Unaudited)	30 Sept. 2015 (Unaudited)	**30 Sept. 2016 (Unaudited)**	30 Sept. 2015 (Unaudited)
(Loss) /profit for the year attributable to the owners of the Parent Company (KD '000)	**(699)**	476	**(5,057)**	9,851
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	**1,325,056,996**	1,325,056,996	**1,325,056,996**	1,325,056,996
Basic and diluted (loss)/earnings per share	**(0.5) Fils**	0.4 Fils	**(3.8) Fils**	7.4 Fils

7 Investment in associates

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

	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 2015 (Unaudited) KD '000
Balance at 1 January	**337,187**	330,968	330,968
Additions during the period/year	**933**	3,922	3,398
Share of results	**16,030**	26,913	17,851
Share of other comprehensive income	**12**	(9,119)	(6,291)
Dividend received	**(9,286)**	(10,676)	(10,569)
Disposal/capital reduction of associates	**(224)**	(4,419)	(4,304)
Impairment in value	**-**	(617)	(433)
Foreign currency translation adjustment	**(265)**	296	330
Other adjustments	**12**	(81)	-
Balance at the end of the period/year	**344,399**	337,187	330,950

8 Available for sale investments

	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 2015 (Unaudited) KD '000
Non Current			
Managed funds	**113,756**	115,786	122,229
Unquoted equity participations	**185,129**	189,258	211,389
Quoted shares and debt securities	**178,001**	188,865	221,540
	476,886	493,909	555,158
Current			
Quoted shares	**39,698**	47,328	48,088
	516,584	541,237	603,246

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 KD5,170 thousand (30 September 2015: KD2,608 thousand) for certain quoted and unquoted shares and foreign funds.

c) Investments with a fair value of KD184,975 thousand (31 December 2015: KD181,450 thousand and 30 September 2015: KD188,751 thousand) are secured against borrowings.

9 Accounts receivable and other assets

a) Accounts receivable and other assets as of 31 December 2015 included an amount of KD22,459 thousand which represented the remaining balance from the sale of foreign unquoted shares which were classified as available for sale investments and the amount was fully received during the 1st quarter of 2016.

b) During the period, one of the subsidiaries of the Group disposed investment properties with a carrying value of KD11,282 thousand for a consideration of KD10,430 thousand resulting in a loss of KD852 thousand. At the reporting date the above subsidiary has received KD3,350 thousand out of the total consideration due and the remaining balance of KD7,080 thousand is included under accounts receivable and other assets, which has been received subsequent to the reporting date.

c) The consideration due on sale of the Group's investment property in the Kingdom of Saudi Arabia amounting to KD12,405 thousand (sold during 2011) was due in instalments. In settlement of the consideration due as of 31 December 2015, one of the subsidiaries of the Group located in United Kindom received an investment property valued at GBP 2Mn (equivalent to KD881 thousand) during the 2nd quarter of 2016. The difference between the consideration received in the form of property and the due balance as of 31 December 2015 amounting to KD92 thousand has been treated as impairment in value of receivable and has been recognised during the 3rd quarter of 2016.

10 Investments at fair value through profit or loss

	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 2015 (Unaudited) KD '000
Held for trading :			
Quoted shares	**22,212**	24,253	25,617
Designated on initial recognition :			
Local funds	**7,989**	7,709	7,808
International managed portfolios and funds	**44,837**	52,071	46,577
	52,826	59,780	54,385
	75,038	84,033	80,002

Quoted shares, held by local subsidiaries, with a fair value of KD3,032 thousand (31 December 2015: KD3,586 thousand and 30 September 2015: KD3,178 thousand) are secured against borrowings.

Notes of the interim condensed consolidated financial information (continued)

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

Share capital and share premium

a) As of 30 September 2016, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2015: 1,359,853,075 shares and 30 September 2015: 1,359,853,075 shares).

b) Share premium is not available for distribution.

Dividend distribution

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

Non-controlling interests

d) During the period, one of the local subsidiaries of the Group increased its share capital from KD15,000 thousand to KD20,000 thousand (50,000,000 shares with a par value of 100 fils per each share) (30 September 2015: from KD11,000 thousand to KD15,000 thousand). The Group subscribed partially for this increase through another subsidiary of the Group and consequently the Group's shareholding in this subsidiary diluted from 82.85% to 77.94% (30 September 2015: from 100% to 82.85%). The proportionate carrying value of net assets on the date of dilution amounting to KD2,049 thousand (30 September 2015: KD5,108 thousand) has been transferred to non-controlling interests in the interim condensed consolidated statement of changes in equity. Consequently the difference between cash proceeds received and non-controlling interests share of net assets on the date of dilution amounting to KD209 thousand (30 September 2015: KD708 thousand) has been recognized as a dilution loss in the interim condensed consolidated statement of changes in equity as of 30 September 2016.

12 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2016	**11,167**	**1,694**	**18,452**	**(2,486)**	**28,827**
Other comprehensive income:					
Currency translation differences	-	-	-	1,115	1,115
Balances at 30 September 2016	**11,167**	**1,694**	**18,452**	**(1,371)**	**29,942**
Balances at 1 January 2015	8,542	1,694	18,452	(1,521)	27,167
Other comprehensive income:					
Currency translation differences	-	-	-	935	935
Balances at 30 September 2015	8,542	1,694	18,452	(586)	28,102

13 Long term and short term borrowings

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

Notes of the interim condensed consolidated financial information (continued)

13 Long term and short term borrowings (continued)

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

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

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

14 Murabaha and wakala investments and cash and cash equivalents

14.1 Murabaha and wakala investments

	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 2015 (Unaudited) KD '000
Due from a local Islamic investment company/ due from related parties	14,324	14,324	14,324
Provision for impairment in value	(14,324)	(14,324)	(14,324)
	-	-	-
Placed with local Islamic bank	1,008	1,000	-
	1,008	1,000	-

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

Wakala investments of KD14,324 thousand (31 December 2015: KD14,324 thousand and 30 September 2015: KD14,324) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd and 4th instalment due in June 2014, 2015 and 2016 respectively. Full provision is made for receivable in accordance with the Central Bank of Kuwait provisioning 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 the year 2015. The legal proceedings relating to the remaining amount of KD1,683 thousand is still in process.

Notes of the interim condensed consolidated financial information (continued)

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

14.2 Cash and cash equivalents

	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 2015 (Unaudited) KD '000
Short-term deposits and investments	**9,636**	16,661	14,138
Bank balances and cash	**30,789**	43,383	35,592
Due to banks	**(24,940)**	(19,915)	(19,913)
	15,485	40,129	29,817
Less: Blocked balances	**(326)**	(325)	(325)
Short term deposits maturing after 3 months	**(620)**	-	(260)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	**14,539**	39,804	29,232

Notes to the interim condensed consolidated financial information (continued)

15 Segmental analysis

The Group's format for reporting segment information is business segments; which conforms to the internal reporting presented to management:

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	30 Sept. 2016 KD '000	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000
Three months ended										
Segment revenue	**8,225**	8,932	**8,559**	11,113	**14,393**	16,420	**3,897**	4,205	**35,074**	40,670
Less:										
Income from investments									**(3,515)**	(490)
Profit on disposal of associate									**-**	(391)
Share of result of associates									**(4,737)**	(5,107)
Realised loss on disposal of investment properties									**902**	-
Rental income									**(425)**	(603)
Interest and other income									**(450)**	(2,341)
Sales, per interim condensed consolidated statement of profit or loss									**26,849**	31,738
Segment profit	**4,789**	3,653	**773**	1,444	**371**	2,022	**481**	362	**6,414**	7,481
Less:										
Finance costs									**(7,157)**	(7,033)
Gain on foreign currency exchange									**103**	999
(Loss)/profit before foreign taxation, per interim condensed consolidated statement of profit or loss									**(640)**	1,447

Notes to the interim condensed consolidated financial information (continued)

15 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	30 Sept. 2016 KD '000	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000	**30 Sept. 2016 KD '000**	30 Sept. 2015 KD '000
Nine months ended										
Segment revenue	**27,611**	42,639	**30,239**	35,355	**41,248**	55,704	**11,481**	12,226	**110,579**	145,924
Less:										
Income from investments									**(9,499)**	(19,640)
Profit on disposal of associate									**-**	(391)
Share of result of associates									**(16,030)**	(17,851)
Realised loss on disposal of investment properties									**852**	-
Rental income									**(1,634)**	(1,451)
Interest and other income									**(1,300)**	(3,306)
Sales, per interim condensed consolidated statement of profit or loss									**82,968**	103,285
Segment profit/(loss)	**14,113**	29,093	**2,812**	6,233	**(788)**	5,630	**233**	(242)	**16,370**	40,714
Less:										
Finance costs									**(20,803)**	(21,790)
Gain/(loss) on foreign currency exchange									**506**	(2,652)
(Loss)/profit before foreign taxation, per interim condensed consolidated statement of profit or loss									**(3,927)**	16,272
Segment assets	**1,075,459**	1,150,921	**61,918**	56,319	**76,981**	84,614	**17,708**	18,416	**1,232,066**	1,310,270
Segment liabilities	**(15,357)**	(29,251)	**(19,793)**	(19,413)	**(18,499)**	(22,480)	**(8,393)**	(8,920)	**(62,042)**	(80,064)
Segment net assets	**1,060,102**	1,121,670	**42,125**	36,906	**58,482**	62,134	**9,315**	9,496	**1,170,024**	1,230,206
Borrowings and due to banks									**(693,849)**	(721,269)
Total equity per interim condensed consolidated statement of financial position									**476,175**	508,937

Notes of the interim condensed consolidated financial information (continued)

16 Related party transactions

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

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

	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 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	**1,482**	1,870	200
- Due from other related parties	**4,375**	2,476	916
- Due from key management personnel	**71**	231	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	**238**	238	550
- Due to other related parties	**482**	514	2,452

	Three months ended		**Nine months ended**	
	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2015 (Unaudited) KD '000	**30 Sept. 2016 (Unaudited) KD '000**	30 Sept. 2015 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss				
Finance cost charged by an associate	**-**	86	**-**	472
Gain on sale of available for sale investments to associates	**-**	26	**-**	26
Purchase of raw materials – from associates	**661**	747	**2,529**	2,847
Compensation of key management personnel of the Group				
Short term employee benefits	**679**	688	**2,282**	2,089
End of service benefits	**24**	123	**188**	291
	703	811	**2,470**	2,380

17 Financial instruments

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

Except for certain available for sale investments which are carried at cost (KD23,945 thousand), the carrying amounts of other financial assets and liabilities as at 30 September 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 nine levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

At 30 September 2016

	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	-	-	28,457	28,457
Other managed portfolio	-	3,382	76,414	79,796
-Unquoted equity participations	-	4,158	162,529	166,687
-Quoted shares and debt securities	187,009	1,149	29,541	217,699
Investment at fair value through profit or loss				
-Quoted shares	22,212	-	-	22,212
-Local funds	-	7,989	-	7,989
-International managed portfolios and funds	4,299	33,939	6,599	44,837
Total assets	213,520	50,617	303,540	567,677

At 31 December 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	-	-	26,647	26,647
Other managed funds	-	7,174	78,105	85,279
-Unquoted equity participations	-	14,268	157,955	172,223
-Quoted shares	222,282	862	13,049	236,193
Investment at fair value through profit or loss				
-Quoted shares	24,253	-	-	24,253
-Local funds	-	7,709	-	7,709
-International managed portfolios and funds	5,490	35,750	10,831	52,071
Total assets	252,025	65,763	286,587	604,375

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

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

At 30 September 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	-	-	31,318	31,318
Other managed portfolio	-	6,422	79,664	86,086
-Unquoted equity participations	-	14,425	141,265	155,690
-Quoted shares	230,479	39,149	-	269,628
Investment at fair value through profit or loss				
-Quoted shares	25,617	-	-	25,617
-Local funds	-	7,808	-	7,808
-International managed portfolios and funds	4,909	31,316	10,352	46,577
Total assets	261,005	99,120	262,599	622,724

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:

	30 Sept. 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 Sept. 2015 (Unaudited) KD '000
Opening balance	**286,587**	274,244	274,244
Net change in fair value recognised in other comprehensive income	**(13,923)**	7,393	1,342
Impairment recognised in profit or loss	**(3,263)**	(2,164)	-
Net change in fair value recognised in profit or loss	**306**	1,156	(1,625)
Net disposals during the period/year	**(3,074)**	(8,431)	(11,362)
Reclassification	**36,907**	14,389	-
Closing balance	**303,540**	286,587	262,599

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

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

18 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 September 2016 amounted to KD5,445 thousand (31 December 2015: KD4,712 thousand and 30 September 2015: KD7,316 thousand) of which assets managed on behalf of related parties amounted to KD3,134 thousand (31 December 2015: KD2,713 thousand and 30 September 2015: KD4,674 thousand).

Notes of the interim condensed consolidated financial information (continued)

19 Contingent liabilities

As at 30 September 2016, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD21,600 thousand (31 December 2015: KD20,773 thousand and 30 September 2015: KD22,913 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 KD37,413 thousand (31 December 2015: KD36,481 thousand and 30 September 2015: KD33,299 thousand).

At the reporting date, the Group had commitment to pay lease rentals amounting to KD9,547 thousand (31 December 2015: KD5,329 thousand and 30 September 2015: KD5,305 thousand).

21 Subsequent event

a) During the period, the Group signed a conditional agreement with a foreign party to sell 10.45% share holding in K-Electric Company, one of the Pakistani listed companies involved in distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under available for sale investments. However, the completion of the sale contemplated in the conditional agreement is subject to the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

b) The Board of Directors of the Parent Company approved to issue bonds with a total value not exceeding KD25 Million for a period of five years and at a floating rate of 2.25% over the discount rate declared of the Central Bank of Kuwait to be paid on a quarterly basis. The Group intends to issue these bonds before 31 December 2016.