Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 June 2017 (Unaudited)

Contents

GrantThornton
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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 statement of financial position of National Industries Group Holding - KPSC (the "Parent Company") and its Subsidiaries (together the "Group") as of 30 June 2017 and the related interim condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statements cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Report on review of other legal and regulatory 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 six-month period ended 30 June 2017 that might have had a material effect on the business or financial position of the Group.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
3 August 2017

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 June 2017 (Unaudited) KD '000	Three months ended 30 June 2016 (Unaudited) KD '000	Six months ended 30 June 2017 (Unaudited) KD '000	Six months ended 30 June 2016 (Unaudited) KD '000
Sales		**26,233**	26,038	**54,000**	56,119
Cost of sales		**(21,032)**	(21,634)	**(44,006)**	(46,198)
Gross profit		**5,201**	4,404	**9,994**	9,921
Income from investments	4	**6,460**	4,215	**15,925**	5,984
Share of results of associates	7	**5,378**	5,319	**10,778**	11,293
Loss on partial disposal of an associate		**-**	-	**(48)**	-
Realised gain on disposal of investment properties		**-**	50	**-**	50
Rental income		**400**	608	**833**	1,209
Interest and other income		**1,131**	420	**1,605**	850
Distribution costs		**(1,814)**	(1,756)	**(3,503)**	(3,508)
General, administrative and other expenses		**(5,236)**	(5,336)	**(10,571)**	(10,582)
Gain/(loss) on foreign currency exchange		**629**	(16)	**1,131**	403
		12,149	7,908	**26,144**	15,620
Finance costs		**(7,915)**	(6,808)	**(15,505)**	(13,646)
Impairment in value of available for sale investments	8	**(1,077)**	(4,313)	**(2,862)**	(4,724)
Impairment in value of accounts receivables and other assets		**(89)**	(537)	**(399)**	(537)
Profit/(loss) before foreign taxation		**3,068**	(3,750)	**7,378**	(3,287)
Foreign taxation	5a	**(147)**	(124)	**(225)**	(183)
Profit/(loss) before KFAS, NLST and Zakat		**2,921**	(3,874)	**7,153**	(3,470)
(Provision for)/ reversal of KFAS, NLST and Zakat	5b	**(35)**	12	**(132)**	(60)
Profit/(loss) for the period		**2,886**	(3,862)	**7,021**	(3,530)
Attributable to :					
Owners of the Parent Company		**2,090**	(4,744)	**5,230**	(4,358)
Non-controlling interests		**796**	882	**1,791**	828
		2,886	(3,862)	**7,021**	(3,530)
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	6	**1.58 Fils**	(3.6) Fils	**3.95 Fils**	(3.3) Fils

The notes set out on pages 9 to 21 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		Six months ended	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	**30 June 2017 (Unaudited)**	30 June 2016 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Profit /(loss) for the period	**2,886**	(3,862)	**7,021**	(3,530)
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	**(735)**	2,093	**(1,481)**	1,419
Available for sale investments:				
- Net changes in fair value arising during the period	**(18,125)**	3,245	**(18,050)**	(30,697)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	**(615)**	(4,538)	**(1,200)**	(4,748)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**1,077**	4,313	**2,862**	4,724
Share of other comprehensive income of associates				
- Change in fair value	**1,129**	(695)	**3,277**	(99)
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent period:	**(17,269)**	4,418	**(14,592)**	(29,401)
Items not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan actuarial gain/(losses)	**195**	(621)	**(397)**	(302)
Total other comprehensive income not being reclassified to profit or loss in subsequent periods:	**195**	(621)	**(397)**	(302)
Total other comprehensive (loss)/income for the period	**(17,074)**	3,797	**(14,989)**	(29,703)
Total comprehensive loss for the period	**(14,188)**	(65)	**(7,968)**	(33,233)
Total comprehensive (loss)/ income attributable to:				
Owners of the Parent Company	**(8,901)**	(5,237)	**(2,417)**	(32,643)
Non-controlling interests	**(5,287)**	5,172	**(5,551)**	(590)
	(14,188)	(65)	**(7,968)**	(33,233)

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		**14,117**	14,025	12,380
Property, plant and equipment		**70,981**	70,837	71,822
Investment in associates	7	**356,890**	350,540	341,470
Investment properties		**67,994**	64,294	73,313
Available for sale investments	8	**398,794**	405,935	463,682
Accounts receivable and other assets		**1,138**	1,410	1,123
Total non-current assets		**909,914**	907,041	963,790
Current assets				
Inventories		**33,174**	32,434	36,273
Available for sale investments	8	**126,425**	133,118	38,564
Accounts receivable and other assets		**60,370**	60,159	63,766
Murabaha, wakala and sukuk investments	13	**1,173**	1,164	-
Investments at fair value through profit or loss	9	**75,478**	76,782	77,252
Short-term deposits and investments	13	**11,908**	9,224	7,382
Bank balances and cash	13	**39,821**	33,696	29,609
Total current assets		**348,349**	346,577	252,846
Total assets		**1,258,263**	1,253,618	1,216,636
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	10	**135,985**	135,985	135,985
Treasury shares		**(30,375)**	(30,375)	(30,375)
Share premium	10	**122,962**	122,962	122,962
Cumulative changes in fair value		**102,668**	108,729	66,800
Other components of equity	11	**30,337**	31,526	30,422
(Accumulated losses)/retained earnings		**(3,548)**	(8,495)	12,105
Equity attributable to owners of the Parent Company		**358,029**	360,332	337,899
Non-controlling interests		**129,485**	137,047	125,829
Total equity		**487,514**	497,379	463,728
Non-current liabilities				
Long-term borrowings & bonds	12	**353,246**	354,019	415,233
Leasing creditors		**90**	145	271
Provisions		**14,588**	14,645	15,478
Other non-current liabilities		**1,133**	1,052	-
Total non-current liabilities		**369,057**	369,861	430,982
Current liabilities				
Accounts payable and other liabilities		**45,621**	44,285	49,024
Short-term borrowings	12	**332,459**	320,907	248,429
Due to banks	13	**23,612**	21,186	24,473
Total current liabilities		**401,692**	386,378	321,926
Total liabilities		**770,749**	756,239	752,908
Total equity and liabilities		**1,258,263**	1,253,618	1,216,636

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	**Treasury shares** KD '000	**Share premium** KD '000	**Cumulative changes in fair value** KD '000	**Other components of equity (Note 11)** KD '000	**Accumulated losses** KD '000	**Sub-Total** KD '000	**Non-controlling interests** KD '000	**Total** KD '000
Balance at 1 January 2017	**135,985**	**(30,375)**	**122,962**	**108,729**	**31,526**	**(8,495)**	**360,332**	**137,047**	**497,379**
Transactions with owners									
Increase in non-controlling interests of a subsidiary	-	-	-	-	-	114	114	(114)	-
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(2,132)	(2,132)
Other changes in non-controlling interests	-	-	-	-	-	-	-	235	235
Total transactions with owners	-	-	-	-	-	114	114	(2,011)	(1,897)
Comprehensive income									
Profit for the period	-	-	-	-	-	5,230	5,230	1,791	7,021
Other comprehensive loss for the period (actuarial losses and others)	-	-	-	(6,061)	(1,189)	(397)	(7,647)	(7,342)	(14,989)
Total comprehensive (loss)/income for the period	-	-	-	(6,061)	(1,189)	4,833	(2,417)	(5,551)	(7,968)
Balance at 30 June 2017	135,985	(30,375)	122,962	102,668	30,337	(3,548)	358,029	129,485	487,514

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 11) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 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	-	-	-	-	-	(209)	(209)	2,049	1,840
Dividend paid	-	-	-	-	-	(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	-	-	-	-	-	-	-	278	278
Total transactions with owners	-	-	-	-	-	(13,460)	(13,460)	(2,490)	(15,950)
Comprehensive income									
(Loss)/profit for the period	-	-	-	-	-	(4,358)	(4,358)	828	(3,530)
Other comprehensive (loss)/income for the period (actuarial loss and others)	-	-	-	(29,578)	1,595	(302)	(28,285)	(1,418)	(29,703)
Total comprehensive (loss)/income for the period	-	-	-	(29,578)	1,595	(4,660)	(32,643)	(590)	(33,233)
Balance at 30 June 2016	135,985	(30,375)	122,962	66,800	30,422	12,105	337,899	125,829	463,728

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2017 (Unaudited) KD '000	Six months ended 30 June 2016 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit/(loss) before foreign taxation	**7,378**	(3,287)
Adjustments for :		
Depreciation and amortisation	**3,758**	3,570
Realised gain on disposal of investment properties	**-**	(50)
Share of results of associates	**(10,778)**	(11,293)
Loss on partial disposal of an associate	**48**	-
Dividend income from available for sale investments	**(5,984)**	(5,496)
Impairment in value of available for sale investments	**2,862**	4,724
Impairment in value of accounts receivable and other assets	**399**	537
Profit on sale of available for sale investments	**(3,715)**	(1,374)
Net provision (released)/charged	**(57)**	42
Finance costs	**15,505**	13,646
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(374)**	(275)
	9,042	744
Changes in operating assets and liabilities:		
Inventories	**(740)**	(2,219)
Accounts receivable and other assets	**(519)**	23,697
Investments at fair value through profit or loss	**1,304**	6,781
Accounts payable and other liabilities	**726**	992
Cash from operations	**9,813**	29,995
Taxation paid	**(202)**	(159)
KFAS, NLST and Zakat paid	**(9)**	(28)
Net cash from operating activities	**9,602**	29,808

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Six months ended 30 June 2017 (Unaudited) KD '000	Six months ended 30 June 2016 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(3,864)**	(4,744)
Addition to investment properties		**(4,250)**	(5,531)
Addition to investment in associates		**(511)**	(528)
Proceeds from partial disposal of an associate		**81**	-
Dividend received from associates		**7,178**	7,220
Purchase of available for sale investments		**(9,488)**	(6,524)
Proceeds from sale of available for sale investments		**7,787**	11,444
Proceeds from sale of investment properties		**550**	1,750
(Increase)/decrease in wakala investments maturing after three months		**(9)**	1,000
Decrease in block balances		**8**	-
Dividend income received from available for sale investments		**5,984**	5,496
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		**194**	47
Net cash from investing activities		**3,660**	9,630
FINANCING ACTIVITIES			
Finance lease movement		**(55)**	(153)
Net increase/(decrease) in long-term borrowings		**17,537**	(37,001)
Net decrease in short-term borrowings		**(6,758)**	(372)
Dividend paid to owners of the Parent		**(279)**	(13,530)
Dividend paid to non-controlling interests		**(2,132)**	(4,817)
Finance costs paid		**(15,261)**	(13,474)
Change in non-controlling interests		**121**	2,327
Net cash used in financing activities		**(6,827)**	(67,020)
Net decrease in cash and cash equivalents		**6,435**	(27,582)
Translation difference		**(44)**	(30)
		6,391	(27,612)
Cash and cash equivalents at beginning of the period		**21,409**	39,804
Cash and cash equivalents at end of the period	13	**27,800**	12,192

The notes set out on pages 9 to 21 form an integral part of this interim condensed consolidated financial information.

Notes to 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 3 August 2017.

The annual consolidated financial statements for the year ended 31 December 2016 were authorised for issuance by the Parent Company's Board of Directors on 30 March 2017 and approved by the shareholders at the Annual General Meeting held on 23 May 2017.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2017 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 and presentation 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 to 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 2016.

Operating results for the six-month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2016.

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 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the Group but did not have any significant impact on the financial position or the results for the period. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

4 Income from investments

	Three months ended		**Six months ended**	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	**30 June 2017 (Unaudited)**	30 June 2016 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Dividend income:				
- From investments at fair value through profit or loss	**471**	365	**674**	558
- From available for sale investments	**2,337**	2,089	**5,984**	5,496
Profit on sale of available for sale investments	**2,014**	519	**3,715**	1,374
Realised gain/(loss) on investments at fair value through profit or loss	**504**	5	**753**	(4)
Unrealised gain/(loss) on investments at fair value through profit or loss	**1,134**	1,237	**4,799**	(1,440)
	6,460	4,215	**15,925**	5,984

Notes to the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	**30 June 2017 (Unaudited) KD '000**	30 June 2016 (Unaudited) KD '000
*Taxation of foreign subsidiaries**				
Current tax expense				
Current period charge	**(147)**	(124)	**(225)**	(183)
	(147)	(124)	**(225)**	(183)

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

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	**30 June 2017 (Unaudited) KD '000**	30 June 2016 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(11)**	(1)	**(33)**	(19)
(Provision for)/ reversal of National Labour Support Tax (NLST)	**(21)**	10	**(73)**	(23)
(Provision for)/ reversal of Zakat	**(3)**	3	**(26)**	(18)
	(35)	12	**(132)**	(60)

*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 (2016: Nil) as the net taxable results attributable to the Parent Company was a loss.

6 Basic & diluted earnings/(loss) per share

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

	Three months ended		Six months ended	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	**30 June 2017 (Unaudited)**	30 June 2016 (Unaudited)
Profit/(loss) for the year attributable to the owners of the Parent Company (KD '000)	**2,090**	(4,744)	**5,230**	(4,358)
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 earnings/(loss) per share	**1.58 Fils**	(3.6) Fils	**3.95 Fils**	(3.3) Fils

Notes to the interim condensed consolidated financial information (continued)

7 Investment in associates

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

	30 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (Unaudited) KD '000
Balance at 1 January	**350,540**	337,187	337,187
Additions during the period/year	**511**	2,182	528
Share of results	**10,778**	21,177	11,293
Disposal/capital reduction	**(129)**	(3,108)	-
Share of other comprehensive income	**3,277**	1,143	(99)
Dividend received	**(7,178)**	(9,286)	(7,220)
Foreign currency translation adjustment	**(735)**	1,082	(219)
Other adjustments	**(174)**	163	-
Balance at the end of the period/year	**356,890**	350,540	341,470

8 Available for sale investments

	30 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (Unaudited) KD '000
Non-Current			
Managed funds	**119,375**	112,008	110,412
Unquoted equity participations	**101,139**	102,537	189,118
Quoted shares and debt securities	**178,280**	191,390	164,152
	398,794	405,935	463,682
Current			
Quoted shares	**42,802**	45,070	38,564
Unquoted equity participations	**83,623**	88,048	-
	126,425	133,118	38,564
	525,219	539,053	502,246

a) The quoted shares classified as current as of reporting date includes an amount of KD41,559 thousand (31 December 2016: KD43,562 thousand and 30 June 2016: KD38,564 thousand) which is the remaining investments from those shares which were transferred from investments at fair value through profit or loss as of 1 July 2008.

b) Unquoted shares and certain quoted shares totalling to KD84,866 thousand (31 December 2016: KD89,556 thousand and 30 June 2016: Nil) have been classified as current based on management's estimate of liquidation of those investments.

c) At the end of the period, the Group recognised a total impairment loss of KD2,862 thousand (30 June 2016: KD4,724 thousand) for certain quoted and unquoted shares and foreign funds.

d) Investments with a fair value of KD172,048 thousand (31 December 2016: KD166,700 thousand and 30 June 2016: KD178,288 thousand) are secured against borrowings.

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

e) During the previous year, 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.

9 Investments at fair value through profit or loss

	30 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (Unaudited) KD '000
Held for trading :			
Quoted shares	**25,660**	23,698	22,372
Designated on initial recognition :			
Local funds	**5,848**	6,600	8,143
International managed portfolios and funds	**43,970**	46,484	46,737
	49,818	53,084	54,880
	75,478	76,782	77,252

Quoted shares, held by local subsidiaries, with a fair value of KD3,139 thousand (31 December 2016: KD3,093 thousand and 30 June 2016: KD3,080 thousand) are secured against borrowings.

10 Share capital, share premium and dividend distributions

Share capital and share premium

a) As of 30 June 2017, 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 2016: 1,359,853,075 shares and 30 June 2016: 1,359,853,075 shares).

b) Share premium is not available for distribution.

Dividend distribution

c) At the Annual General Meeting held on 23 May 2017, the shareholders approved not to distribute any dividend for the year ended 31 December 2016.

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

Notes to 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 2017	**11,167**	**1,694**	**18,452**	**213**	**31,526**
Other comprehensive income:					
Currency translation differences	-	-	-	(1,189)	(1,189)
Balances at 30 June 2017	**11,167**	**1,694**	**18,452**	**(976)**	**30,337**
Balances at 1 January 2016	11,167	1,694	18,452	(2,486)	28,827
Other comprehensive income:					
Currency translation differences	-	-	-	1,595	1,595
Balances at 30 June 2016	11,167	1,694	18,452	(891)	30,422

12 Long term and short term borrowings and Bonds

During 2011 and 2012, one of the local subsidiaries of the Group 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 June 2017, 31 December 2016 and 30 June 2016, these are partly secured (investment properties, refer notes 8 and 9) 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 has been settled in the year 2016.

The process of rescheduling of the subsidiary company'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. However, based on the previous agreements, the final instalment of one loan (along with the 50% of the third instalment) totalling to KD6,875 thousand fell due during December 2016 and subsequent to the reporting date, the amount due on the above loan has been settled with 30% discount. The gain which has resulted from the waiver of the principal which amounts to KD2,063 thousand will be recognised as an income during the 3rd quarter of 2017. The final instalments of the other loans (along with 50% of the third instalment) totalling to KD39,059 thousand and KD50,759 thousand are falling due in the year 2017 and 2018 respectively.

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. During the period ended 30 June 2017 and 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.

Debt rescheduling may involve upfront settlement of part of the debts, providing collateral to financers over the Subsidiary's assets, renegotiation of pricing and repayments period of credit facilities and other terms and restrictions usually associated with such debt rescheduling process.

Notes to the interim condensed consolidated financial information (continued)

13 Murabaha, wakala and sukuk investments and cash and cash equivalents

13.1 Murabaha, wakala and sukuk investments

	30 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (Unaudited) KD '000
Placed with local Islamic banks-Murabaha	**1,020**	1,011	-
Sukuk investments	**153**	153	-
	1,173	1,164	-

Wakala investments of KD14,324 thousand (31 December 2016: KD14,324 thousand and 30 June 2016: KD14,324 thousand) 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, 4th and 5th instalments due in June 2014, 2015, 2016 and 2017 respectively. The Subsidiary has initiated various legal cases against the investee company to recover these amounts. Full provision was 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 as part of total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Subsidiary 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 Subsidiary which was overturned by the Court of Cassation in favour of the related party during the year 2015. The Subsidiary also initiated legal proceedings relating to the remaining amount of KD1,683 thousand against the related parties. During the period ended 30 June 2017, the court of first instance has ordered the related parties to pay KD1,683 thousand to the Subsidiary and the related party has appealed against the court decision.

No profit was recognised on impaired wakala investments during the current period (31 December 2016 and 30 June 2016: KD Nil).

13.2 Cash and cash equivalents

	30 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (Unaudited) KD '000
Short-term deposits and investments	**11,908**	9,224	7,382
Bank balances and cash	**39,821**	33,696	29,609
Due to banks	**(23,612)**	(21,186)	(24,473)
	28,117	21,734	12,518
Less: Blocked balances	**(317)**	(325)	(326)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	**27,800**	21,409	12,192

Notes to the interim condensed consolidated financial information (continued)

14 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 June 2017 KD '000	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000
Three months ended										
Segment revenue	**13,369**	10,612	**9,667**	10,199	**12,688**	12,380	**3,878**	3,459	**39,602**	36,650
Less:										
Income from investments									**(6,460)**	(4,215)
Share of result of associates									**(5,378)**	(5,319)
Realised gain on disposal of investment properties									**-**	(50)
Rental income									**(400)**	(608)
Interest and other income									**(1,131)**	(420)
Sales, per interim condensed consolidated statement of profit or loss									**26,233**	26,038
Segment profit/(loss)	**9,502**	3,272	**299**	1,218	**382**	(1,334)	**171**	(82)	**10,354**	3,074
Less:										
Finance costs									**(7,915)**	(6,808)
Gain/(loss) on foreign currency exchange									**629**	(16)
Profit/(loss) before foreign taxation									**3,068**	(3,750)

Notes to the interim condensed consolidated financial information (continued)

14 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	30 June 2017 KD '000	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000	**30 June 2017 KD '000**	30 June 2016 KD '000
Six months ended										
Segment revenue	**29,093**	19,386	**20,562**	21,680	**24,669**	26,855	**8,769**	7,584	**83,093**	75,505
Less:										
Income from investments									**(15,925)**	(5,984)
Share of result of associates									**(10,778)**	(11,293)
Loss on partial disposal of an associate									**48**	-
Realised gain on disposal of investment properties									**-**	(50)
Rental income									**(833)**	(1,209)
Interest and other income									**(1,605)**	(850)
Sales, per interim condensed consolidated statement of profit or loss									**54,000**	56,119
Segment profit/(loss)	**20,492**	8,921	**1,000**	2,039	**(104)**	(1,129)	**364**	125	**21,752**	9,956
Less:										
Finance costs									**(15,505)**	(13,646)
Gain on foreign currency exchange									**1,131**	403
Profit/(loss) before foreign taxation									**7,378**	(3,287)
Segment assets	**1,097,815**	1,061,095	**61,240**	61,206	**78,651**	77,364	**20,557**	16,971	**1,258,263**	1,216,636
Segment liabilities	**(14,143)**	(18,143)	**(22,849)**	(20,622)	**(16,013)**	(17,545)	**(8,427)**	(8,463)	**(61,432)**	(64,773)
Segment net assets	**1,083,672**	1,042,952	**38,391**	40,584	**62,638**	59,819	**12,130**	8,508	**1,196,831**	1,151,863
Borrowings, Bonds and due to banks									**(709,317)**	(688,135)
Total equity as per interim condensed consolidated statement of financial position									**487,514**	463,728

Notes to 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:

	30 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (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	**3,950**	2,029	909
- Due from other related parties	**3,370**	2,938	4,558
- Due from key management personnel	**70**	70	231
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	**20**	20	238
- Due to other related parties	**553**	522	491
Transactions with related parties			
Development and construction costs	**2,719**	4,679	3,234
Sale of investment properties and available for sale investments	**1,159**	395	-
Transfer of other assets	**350**	-	-
Purchase of available for sale investments	**-**	609	-

	Three months ended		**Six months ended**	
	30 June 2017 (Unaudited) KD '000	30 June 2016 (Unaudited) KD '000	**30 June 2017 (Unaudited) KD '000**	30 June 2016 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss				
Purchase of raw materials – from associates	**737**	917	**1,476**	1,868
Compensation of key management personnel of the Group				
Short term employee benefits	**1,065**	868	**2,068**	1,809
End of service benefits	**133**	36	**176**	185
	1,198	904	**2,244**	1,994

16 Financial instruments

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

Except for certain available for sale investments which are carried at cost (KD22,874 thousand), the carrying amounts of other financial assets and liabilities as at 30 June 2017, approximate their fair values.

Notes to 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 which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into six levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities 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 consolidated statement of financial position are grouped into the fair value hierarchy as follows;

At 30 June 2017

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Financial assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	33,525	33,525
Other managed portfolio	-	4,357	78,034	82,391
-Unquoted equity participations	-	14,033	151,315	165,348
-Quoted shares and debt securities	195,222	1,034	24,825	221,081
Investment at fair value through profit or loss				
-Quoted shares	25,660	-	-	25,660
-Local funds	-	5,848	-	5,848
-International managed portfolios and funds	1,804	33,451	8,715	43,970
Total assets	222,686	58,723	296,414	577,823

At 31 December 2016

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Financial assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds		-	-	30,657	30,657
Other managed funds		-	3,278	74,665	77,943
-Unquoted equity participations		-	13,391	158,565	171,956
-Quoted shares		210,580	1,135	24,745	236,460
Investment at fair value through profit or loss					
-Quoted shares		23,698	-	-	23,698
-Local funds		-	6,600	-	6,600
-International managed portfolios and funds		4,119	33,862	8,503	46,484
Total assets		238,397	58,266	297,135	593,798

Notes to the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

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

At 30 June 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	-	-	27,160	27,160
Other managed portfolio	-	3,744	75,649	79,393
-Unquoted equity participations	-	3,632	165,400	169,032
-Quoted shares	172,860	1,236	28,620	202,716
Investment at fair value through profit or loss				
-Quoted shares	22,372	-	-	22,372
-Local funds	-	8,143	-	8,143
-International managed portfolios and funds	5,217	32,210	9,310	46,737
Total assets	200,449	48,965	306,139	555,553

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 June 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 June 2016 (Unaudited) KD '000
Opening balance	**297,135**	286,587	286,587
Net change in fair value recognised in other comprehensive income	**2,621**	(2,880)	(5,887)
Impairment recognised in profit or loss	**(2,530)**	(13,214)	(1,390)
Net change in fair value recognised in profit or loss	**253**	752	188
Net additions during the period/year	**(1,065)**	(3,328)	806
Reclassification	**-**	29,218	25,835
Closing balance	**296,414**	297,135	306,139

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.

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 30 June 2017 amounted to KD4,661 thousand (31 December 2016: KD5,465 thousand and 30 June 2016: KD5,788 thousand) of which assets managed on behalf of related parties amounted to KD2,235 thousand (31 December 2016: KD3,175 thousand and 30 June 2016: KD3,193 thousand).

Notes to the interim condensed consolidated financial information (continued)

18 Contingent liabilities

As at 30 June 2017, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD19,918 thousand (31 December 2016: KD19,550 thousand and 30 June 2016: KD18,339 thousand).

19 Capital commitments

At the reporting date the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties totalling to KD49,474 thousand (31 December 2016: KD53,467 thousand and 30 June 2016: KD38,142 thousand).

At the reporting date, the Group had commitment to pay lease rentals amounting to KD4,463 thousand (31 December 2016: KD5,173 thousand and 30 June 2016: KD9,983 thousand).

20 Subsequent events

Subsequent to the reporting date, as disclosed in note 12, a loan amount due to one of the lenders of a local Subsidiary has been settled in cash with a 30% discount. The gain which has resulted from the waiver of the principal which amounts to KD2,063 thousand will be recongised as income during the 3rd quarter of 2017.

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.