Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 September 2017 (Unaudited)

Contents

GrantThornton
Al-Qatami, Al-Aiban & Partners
An instinct for growth™

Souq Al-Kabeer Building
Block A - 9th Floor
P.O. BOX 2986 Safat 13030
State Of Kuwait
T +965-2244-3900/9
F +965-2243-8451
www.grantthornton.com.kw

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 September 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 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, as amended, 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 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
6 November 2017

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 Sept. 2017 (Unaudited) KD '000	Three months ended 30 Sept. 2016 (Unaudited) KD '000	Nine months ended 30 Sept. 2017 (Unaudited) KD '000	Nine months ended 30 Sept. 2016 (Unaudited) KD '000
Sales		**24,563**	26,849	**78,563**	82,968
Cost of sales		**(21,118)**	(21,350)	**(65,124)**	(67,548)
Gross profit		**3,445**	5,499	**13,439**	15,420
Income from investments	4	**7,856**	3,515	**23,781**	9,499
Share of results of associates	7	**4,993**	4,737	**15,771**	16,030
Loss on partial disposal of associates		**(10)**	-	**(58)**	-
Realized loss on disposal of investment properties		**-**	(902)	**-**	(852)
Rental income		**443**	425	**1,276**	1,634
Interest and other income	12	**2,881**	572	**4,486**	1,422
Distribution costs		**(1,727)**	(1,645)	**(5,230)**	(5,153)
General, administrative and other expenses		**(5,614)**	(5,341)	**(16,185)**	(15,923)
Gain on foreign currency exchange		**230**	103	**1,361**	506
		12,497	6,963	**38,641**	22,583
Finance costs		**(8,246)**	(7,157)	**(23,751)**	(20,803)
Impairment in value of available for sale investments	8	**(439)**	(446)	**(3,301)**	(5,170)
Impairment in value of accounts receivables and other assets		**(101)**	-	**(500)**	(537)
Profit /(loss) before foreign taxation		**3,711**	(640)	**11,089**	(3,927)
Foreign taxation	5a	**(58)**	(83)	**(283)**	(266)
Profit /(loss) before KFAS, NLST and Zakat		**3,653**	(723)	**10,806**	(4,193)
Provision for KFAS, NLST and Zakat	5b	**(169)**	(122)	**(301)**	(182)
Profit/(loss) for the period		**3,484**	(845)	**10,505**	(4,375)
Attributable to :					
Owners of the Parent Company		**2,117**	(699)	**7,347**	(5,057)
Non-controlling interests		**1,367**	(146)	**3,158**	682
		3,484	(845)	**10,505**	(4,375)
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	6	**1.6 Fils**	(0.5) Fils	**5.5 Fils**	(3.8) 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		Nine months ended	
	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)	**30 Sept. 2017 (Unaudited)**	30 Sept. 2016 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Profit/(loss) for the period	**3,484**	(845)	**10,505**	(4,375)
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	**(543)**	(501)	**(2,024)**	918
Available for sale investments:				
- Net changes in fair value arising during the period	**26,591**	14,713	**8,541**	(15,984)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	**(4,226)**	(528)	**(5,426)**	(5,276)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**439**	446	**3,301**	5,170
Share of other comprehensive income of associates				
- Change in fair value	**(2,369)**	111	**908**	12
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**19,892**	14,241	**5,300**	(15,160)
Items not to be reclassified to profit or loss in subsequent periods				
Defined benefit plan actuarial loss	**(685)**	(1,667)	**(1,082)**	(1,969)
Total other comprehensive loss not being reclassified to profit or loss in subsequent periods	**(685)**	(1,667)	**(1,082)**	(1,969)
Total other comprehensive income/(loss) for the period	**19,207**	12,574	**4,218**	(17,129)
Total comprehensive income/(loss) for the period	**22,691**	11,729	**14,723**	(21,504)
Total comprehensive income/(loss) attributable to:				
Owners of the Parent Company	**19,105**	11,455	**16,688**	(21,188)
Non-controlling interests	**3,586**	274	**(1,965)**	(316)
	22,691	11,729	**14,723**	(21,504)

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 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		**14,326**	14,025	14,286
Property, plant and equipment		**71,381**	70,837	71,112
Investment in associates	7	**359,963**	350,540	344,399
Investment properties		**69,308**	64,294	65,272
Available for sale investments	8	**419,103**	405,935	476,886
Accounts receivable and other assets		**1,135**	1,410	1,021
Total non-current assets		**935,216**	907,041	972,976
Current assets				
Inventories		**34,710**	32,434	35,097
Available for sale investments	8	**130,149**	133,118	39,698
Accounts receivable and other assets		**50,259**	60,159	67,824
Murabaha, wakala and sukuk investments	13	**1,153**	1,164	1,008
Investments at fair value through profit or loss	9	**77,234**	76,782	75,038
Short-term deposits and investments	13	**9,070**	9,224	9,636
Bank balances and cash	13	**34,115**	33,696	30,789
Total current assets		**336,690**	346,577	259,090
Total assets		**1,271,906**	1,253,618	1,232,066
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		**120,693**	108,729	81,101
Other components of equity	11	**29,985**	31,526	29,942
(Accumulated losses)/retained earnings		**(2,116)**	(8,495)	9,739
Equity attributable to owners of the Parent Company		**377,134**	360,332	349,354
Non-controlling interests		**133,026**	137,047	126,821
Total equity		**510,160**	497,379	476,175
Non-current liabilities				
Long-term borrowings & bonds	12	**253,136**	354,019	338,741
Leasing creditors		**67**	145	202
Provisions		**15,526**	14,645	16,790
Other non-current liabilities		**-**	1,052	-
Total non-current liabilities		**268,729**	369,861	355,733
Current liabilities				
Accounts payable and other liabilities		**48,501**	44,285	45,050
Short-term borrowings	12	**422,846**	320,907	330,168
Due to banks	13	**21,670**	21,186	24,940
Total current liabilities		**493,017**	386,378	400,158
Total liabilities		**761,746**	756,239	755,891
Total equity and liabilities		**1,271,906**	1,253,618	1,232,066

مجموعة الصناعات الوطنية (القابضة) ش.م.ك
NI Group
National Industries Group (Holding)
(S.A.K.)

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	-	-	-	-	-	-	-	275	275
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(2,166)	(2,166)
Other changes in non-controlling interests	-	-	-	-	-	114	114	(165)	(51)
Total transactions with owners	-	-	-	-	-	**114**	**114**	**(2,056)**	**(1,942)**
Comprehensive income									
Profit for the period	-	-	-	-	-	7,347	7,347	3,158	10,505
Other comprehensive income/(loss) for the period (actuarial losses and others)	-	-	-	11,964	(1,541)	(1,082)	9,341	(5,123)	4,218
Total comprehensive income/(loss) for the period	-	-	-	**11,964**	**(1,541)**	**6,265**	**16,688**	**(1,965)**	**14,723**
Balance at 30 September 2017	**135,985**	**(30,375)**	**122,962**	**120,693**	**29,985**	**(2,116)**	**377,134**	**133,026**	**510,160**

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
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	757	757
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	-	-	-	-	-	-	-	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 (loss)/income for the period (actuarial losses and others)	-	-	-	(15,277)	1,115	(1,969)	(16,131)	(998)	(17,129)
Total comprehensive (loss)/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 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2017 (Unaudited) KD '000	Nine months ended 30 Sept. 2016 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit/(loss) before foreign taxation	**11,089**	(3,927)
Adjustments for :		
Depreciation and amortisation	**5,281**	5,449
Realised loss on disposal of investment properties	**-**	852
Share of results of associates	**(15,771)**	(16,030)
Profit on partial disposal of associates	**58**	-
Dividend income from available for sale investments	**(6,170)**	(5,841)
Impairment in value of available for sale investments	**3,301**	5,170
Impairment in value of accounts receivables and other assets	**500**	537
Profit on sale of available for sale investments	**(8,620)**	(1,751)
Net provision charged	**881**	1,354
Finance costs	**23,751**	20,803
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(589)**	(491)
	13,711	6,125
Changes in operating assets and liabilities:		
Inventories	**(2,276)**	(1,043)
Accounts receivable and other assets	**9,414**	3,460
Investments at fair value through profit or loss	**(452)**	8,995
Accounts payable and other liabilities	**1,355**	(6,065)
Cash from operations	**21,752**	11,472
Taxation paid	**(256)**	(268)
KFAS, Zakat & NLST paid	**(9)**	(66)
Net cash from operating activities	**21,487**	11,138

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	Nine months ended 30 Sept. 2017 (Unaudited) KD '000	Nine months ended 30 Sept. 2016 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,674)**	(6,400)
Addition to investment properties		**(5,564)**	(6,191)
Proceeds from sale of investment properties		**550**	3,350
Proceeds from disposal/capital reduction of associates		**1,103**	224
Addition to investment in associates		**(4,740)**	(933)
Dividend received from associates		**9,376**	9,286
Purchase of available for sale investments		**(14,175)**	(9,979)
Proceeds from sale of available for sale investments		**15,711**	37,583
(Decrease)/increase in wakala investments maturing after three months		**11**	(8)
Increase of short term deposit maturing after three months		**-**	(620)
(Decrease)/increase in block balances		**8**	(1)
Dividend income received from available for sale investments		**6,170**	5,841
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		**328**	183
Net cash from investing activities		**3,104**	32,335
FINANCING ACTIVITIES			
Finance lease movement		**(78)**	(222)
Net increase/(decrease) in long-term borrowings		**1,115**	(49,775)
Net (decrease)/increase in short-term borrowings		**(59)**	17,649
Dividend paid to owners of the parent		**(415)**	(13,914)
Finance costs paid		**(23,253)**	(20,666)
Change in non-controlling interests		**(2,056)**	(1,772)
Net cash used in financing activities		**(24,746)**	(68,700)
Net decrease in cash and cash equivalents		**(155)**	(25,227)
Translation difference		**(56)**	(38)
		(211)	(25,265)
Cash and cash equivalents at beginning of the period		**21,409**	39,804
Cash and cash equivalents at end of the period	13	**21,198**	14,539

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 6 November 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 which are relevant to the Group 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		**Nine months ended**	
	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)	**30 Sept. 2017 (Unaudited)**	30 Sept. 2016 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Dividend income:				
- From investments at fair value through profit or loss	**74**	24	**748**	582
- From available for sale investments	**186**	345	**6,170**	5,841
Profit on sale of available for sale investments	**4,905**	377	**8,620**	1,751
Realised (loss)/gain on investments at fair value through profit or loss	**(83)**	178	**670**	174
Unrealised gain on investments at fair value through profit or loss	**2,774**	2,591	**7,573**	1,151
	7,856	3,515	**23,781**	9,499

Notes to the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000	**30 Sept. 2017 (Unaudited) KD '000**	30 Sept. 2016 (Unaudited) KD '000
*Taxation of foreign subsidiaries**				
Current tax expense				
Current period charge	**(58)**	(83)	**(283)**	(266)
	(58)	(83)	**(283)**	(266)

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

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000	**30 Sept. 2017 (Unaudited) KD '000**	30 Sept. 2016 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(37)**	(23)	**(70)**	(42)
Provision for National Labour Support Tax (NLST)	**(87)**	(71)	**(160)**	(94)
Provision for Zakat	**(45)**	(28)	**(71)**	(46)
	(169)	(122)	**(301)**	(182)

*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		Nine months ended	
	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)	**30 Sept. 2017 (Unaudited)**	30 Sept. 2016 (Unaudited)
Profit/(loss) for the year attributable to the owners of the Parent Company (KD '000)	**2,117**	(699)	**7,347**	(5,057)
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	**1.6 Fils**	(0.5) Fils	**5.5 Fils**	(3.8) 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 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Balance at 1 January	**350,540**	337,187	337,187
Additions during the period/year	**4,740**	2,182	933
Share of results	**15,771**	21,177	16,030
Disposal/capital reduction	**(1,103)**	(3,108)	(224)
Share of other comprehensive income	**908**	1,143	12
Dividend received	**(9,376)**	(9,286)	(9,286)
Foreign currency translation adjustment	**(1,137)**	1,082	(265)
Other adjustments	**(380)**	163	12
Balance at the end of the period/year	**359,963**	350,540	344,399

During the current period, one of the subsidiaries of the Group has subscribed an amount of KD4,236 thousand towards the right issue of an associate, Meezan Bank Limited, Pakistan and this amount has been accounted as an investment in associate as of the reporting date. The right issue was fully subscribed and the formalities related to the issue of shares were completed subsequent to the reporting date. The right issue did not result in any changes to the ownership percentage of the Group in the associate.

8 Available for sale investments

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Non-Current			
Managed funds	**120,508**	112,008	113,756
Unquoted equity participations	**103,233**	102,537	185,129
Quoted shares and debt securities	**195,362**	191,390	178,001
	419,103	405,935	476,886
Current			
Quoted shares	**48,716**	45,070	39,698
Unquoted equity participations	**81,433**	88,048	-
	130,149	133,118	39,698
	549,252	539,053	516,584

a) The quoted shares classified as current as of reporting date includes an amount of KD47,462 thousand (31 December 2016: KD43,562 thousand and 30 September 2016: KD39,698 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 KD82,687 thousand (31 December 2016: KD89,556 thousand and 30 September 2016: Nil) have been classified as current based on management's estimate of liquidation of those investments.

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

c) At the end of the period, the Group recognised a total impairment loss of KD3,301 thousand (30 September 2016: KD5,170 thousand) for certain quoted and unquoted shares and foreign funds.

d) Investments with a fair value of KD179,355 thousand (31 December 2016: KD166,700 thousand and 30 September 2016: KD184,975 thousand) are secured against borrowings.

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 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Held for trading :			
Quoted shares	**25,962**	23,698	22,212
Designated on initial recognition :			
Local funds	**5,758**	6,600	7,989
International managed portfolios and funds	**45,514**	46,484	44,837
	51,272	53,084	52,826
	77,234	76,782	75,038

Quoted shares, held by local subsidiaries, with a fair value of KD3,236 thousand (31 December 2016: KD3,093 thousand and 30 September 2016: KD3,032 thousand) are secured against borrowings.

10 Share capital, share premium and dividend distributions

Share capital and share premium

a) As of 30 September 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 September 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	-	-	-	(1,541)	(1,541)
Balances at 30 September 2017	**11,167**	**1,694**	**18,452**	**(1,328)**	**29,985**
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

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 KD64,891 thousand has been settled 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 2017, 31 December 2016 and 30 September 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 KD89,819 thousand as of the reporting date comprising of the remaining 50% (KD17,964 thousand of the third instalment and KD71,855 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 KD39,059 thousand fell due on September 2017 and the final instalments of the other loans (along with 50% of the third instalment) totalling to KD50,760 thousand are falling due in the year 2018.

During the current period, a loan due to one of the lenders of the above subsidiary amounting to KD6,875 thousand has been settled in cash with a 30% discount. The gain which has resulted from the waiver of the principal which amounted to KD2,062 thousand has been recongised as other income under "Interest and other income" during the current period.

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 September 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.

The above 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 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Placed with local Islamic banks-Murabaha	**1,000**	1,011	1,008
Sukuk investments	**153**	153	-
	1,153	1,164	1,008

One of the local subsidiaries' wakala investments of KD14,324 thousand (31 December 2016: KD14,324 thousand and 30 September 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 September 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 September 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 September 2016: KD Nil) by the subsidiary.

13.2 Cash and cash equivalents

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Short-term deposits and investments	**9,070**	9,224	9,636
Bank balances and cash	**34,115**	33,696	30,789
Due to banks	**(21,670)**	(21,186)	(24,940)
	21,515	21,734	15,485
Less: Short term deposits maturing after 3 months	**-**	-	(620)
Blocked balances	**(317)**	(325)	(326)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	**21,198**	21,409	14,539

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 Sept. 2017 KD '000	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000
Three months ended										
Segment revenue	**16,163**	8,347	**9,500**	8,559	**11,104**	14,393	**3,959**	3,897	**40,726**	35,196
Less:										
Income from investments									**(7,856)**	(3,515)
Share of result of associates									**(4,993)**	(4,737)
Loss on partial disposal of associates									**10**	-
Realised loss on disposal of investment properties									**-**	902
Rental income									**(443)**	(425)
Interest and other income									**(2,881)**	(572)
Sales, per interim condensed consolidated statement of profit or loss									**24,563**	26,849
Segment profit	**12,218**	5,130	**16**	773	**(739)**	403	**232**	108	**11,727**	6,414
Less:										
Finance costs									**(8,246)**	(7,157)
Gain on foreign currency exchange									**230**	103
Profit/(loss) before foreign taxation									**3,711**	(640)

Notes to the interim condensed consolidated financial information (continued)

14 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	30 Sept. 2017 KD '000	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000	**30 Sept. 2017 KD '000**	30 Sept. 2016 KD '000
Nine months ended										
Segment revenue	**45,256**	27,733	**30,062**	30,239	**35,773**	41,248	**12,728**	11,481	**123,819**	110,701
Less:										
Income from investments									**(23,781)**	(9,499)
Share of result of associates									**(15,771)**	(16,030)
Loss on partial disposal of associates									**58**	-
Realised gain on disposal of investment properties									**-**	852
Rental income									**(1,276)**	(1,634)
Interest and other income									**(4,486)**	(1,422)
Sales, per interim condensed consolidated statement of profit or loss									**78,563**	82,968
Segment profit/(loss)	**32,710**	14,051	**1,016**	2,812	**(843)**	(726)	**596**	233	**33,479**	16,370
Less:										
Finance costs									**(23,751)**	(20,803)
Gain on foreign currency exchange									**1,361**	506
Profit/(loss) before foreign taxation									**11,089**	(3,927)
Segment assets	**1,112,775**	1,075,459	**61,361**	61,918	**77,929**	76,981	**19,841**	17,708	**1,271,906**	1,232,066
Segment liabilities	**(15,314)**	(15,357)	**(23,977)**	(19,793)	**(17,229)**	(18,499)	**(7,574)**	(8,393)	**(64,094)**	(62,042)
Segment net assets	**1,097,461**	1,060,102	**37,384**	42,125	**60,700**	58,482	**12,267**	9,315	**1,207,812**	1,170,024
Borrowings, Bonds and due to banks									**(697,652)**	(693,849)
Total equity as per interim condensed consolidated statement of financial position									**510,160**	476,175

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 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 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	**2,507**	2,029	1,482
- Due from other related parties	**3,335**	2,938	4,375
- Due from key management personnel	**70**	70	71
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	**-**	20	238
- Due to other related parties	**518**	522	482
Transactions with related parties			
Development and construction costs	**2,719**	4,679	1,913
Sale of investment properties and available for sale investments	**1,173**	395	-
Transfer of other assets	**350**	-	-
Purchase of available for sale investments	**-**	609	-

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss				
Purchase of raw materials – from associates	**561**	661	**2,037**	2,529
Compensation of key management personnel of the Group				
Short term employee benefits	**794**	958	**2,862**	2,767
End of service benefits	**104**	92	**280**	277
	898	1,050	**3,142**	3,044

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 (KD21,139 thousand), the carrying amounts of other financial assets and liabilities as at 30 September 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 three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the 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 September 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	-	-	34,236	34,236
Other managed portfolio	-	3,934	80,730	84,664
-Unquoted equity participations	-	11,926	153,209	165,135
-Quoted shares and debt securities	217,927	1,510	24,641	244,078
Investment at fair value through profit or loss				
-Quoted shares	25,962	-	-	25,962
-Local funds	-	5,758	-	5,758
-International managed portfolios and funds	2,019	34,654	8,841	45,514
Total assets	245,908	57,782	301,657	605,347

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 September 2016

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

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. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Opening balance	**297,135**	286,587	286,587
Net change in fair value recognised in other comprehensive income	**4,226**	(2,880)	(13,923)
Impairment recognised in profit or loss	**(2,578)**	(13,214)	(3,263)
Net change in fair value recognised in profit or loss	**-**	752	306
Net additions during the period/year	**2,706**	(3,328)	(3,074)
Reclassification	**168**	29,218	36,907
Closing balance	**301,657**	297,135	303,540

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 September 2017 amounted to KD5,194 thousand (31 December 2016: KD5,465 thousand and 30 September 2016: KD5,445 thousand) of which assets managed on behalf of related parties amounted to KD2,847 thousand (31 December 2016: KD3,175 thousand and 30 September 2016: KD3,134 thousand).

Notes to the interim condensed consolidated financial information (continued)

18 Contingent liabilities

As at 30 September 2017, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD18,661 thousand (31 December 2016: KD19,550 thousand and 30 September 2016: KD21,600 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 KD47,178 thousand (31 December 2016: KD53,467 thousand and 30 September 2016: KD37,413 thousand).

At the reporting date, the Group had commitment to pay lease rentals amounting to KD4,341 thousand (31 December 2016: KD5,173 thousand and 30 September 2016: KD9,547 thousand).

20 Subsequent event

Subsequent to the reporting date, the management of the Group is in the process of exiting one of its foreign associates in which the Group holds 24%. The Group's management is finalizing the final terms and conditions with the prospective buyer and the other partners of the investments in order to sign the final agreement. The management expects to sign the final agreement and complete the disposal transaction within next few months and the financial impact of the disposal will be calculated and accounted for, upon signing of the final agreement.

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.