

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

31 March 2019 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Group Holding – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Group Holding - KPSC (the "Parent Company") and its Subsidiaries (together the "Group") as of 31 March 2019 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 three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2019 that might have had a material effect on the business or financial position of the Parent Company.



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

Kuwait
8 May 2019

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Sales		33,426	32,556
Cost of sales		(28,355)	(27,428)
Gross profit		5,071	5,128
Loss on disposal of indirect subsidiaries	4	(1,520)	-
Income from investments	5	38,421	28,273
Share of results of associates	11	4,857	6,239
Profit on partial disposal of an associate	11	1,597	-
Rental income		462	559
Interest and other income	18	1,702	37
Distribution costs		(2,063)	(2,021)
General, administrative and other expenses		(7,183)	(6,137)
(Loss)/gain on foreign currency exchange		(341)	714
		41,003	32,792
Finance costs		(7,247)	(7,819)
Impairment in value of intangible assets		(945)	-
Impairment in value of investment in associates	11	(414)	-
Impairment in value of receivables and other assets		(19)	(437)
Profit before foreign taxation		32,378	24,536
Foreign taxation	6 a	(200)	(76)
Profit before provision for KFAS, NLST and Zakat		32,178	24,460
Provision for KFAS, NLST and Zakat	6 b	(1,715)	(725)
Profit for the period		30,463	23,735
Profit for the period attributable to :			
Owners of the Parent Company		26,992	18,516
Non-controlling interests		3,471	5,219
		30,463	23,735
Basic and diluted earnings per share attributable to the Owners of the Parent Company:	7	19.4 Fils	13.3 Fils

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Profit for the period	30,463	23,735
Other comprehensive income/(loss):		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
- Exchange differences arising on translation of foreign operations	376	(4,099)
- Transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	1,576	-
Share of other comprehensive loss of associates		
- Changes in fair value	-	(724)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	1,952	(4,823)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Defined benefit plan actuarial loss	(404)	(604)
Net changes in fair value of investments in equity instruments designated at FVOCI	1,617	(649)
Share of other comprehensive loss of associates	(1,824)	(1,183)
Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(611)	(2,436)
Total other comprehensive income/(loss) for the period	1,341	(7,259)
Total comprehensive income for the period	31,804	16,476
Total comprehensive income attributable to:		
Owners of the Parent Company	27,511	14,402
Non-controlling interests	4,293	2,074
	31,804	16,476

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Assets				
Bank balances and cash	8	34,991	32,077	32,516
Short-term deposits	8	33,249	9,136	6,664
Wakala and sukuk investments		1,000	1,153	1,153
Accounts receivable and other assets	4 & 11	79,824	49,453	99,979
Inventories		39,485	36,587	32,970
Financial assets at fair value through profit or loss	9	374,890	364,713	378,300
Financial assets at fair value through other comprehensive income	10	214,540	216,485	236,031
Investment properties	4	53,132	76,857	71,950
Investment in associates	11	321,128	317,462	335,875
Property, plant and equipment		96,136	88,876	72,413
Goodwill and intangible assets		9,113	9,925	14,172
Total assets		1,257,488	1,202,724	1,282,023
Liabilities and equity				
Liabilities				
Due to banks	8	23,394	23,009	26,780
Accounts payable and other liabilities		82,999	58,677	55,403
Borrowings and bonds	12	621,519	611,117	667,152
Provisions		14,411	13,573	15,019
Total liabilities		742,323	706,376	764,354
Equity attributable to owners of the Parent Company				
Share capital	13	135,985	135,985	135,985
Share premium		122,962	122,962	122,962
Treasury shares		(30,375)	(30,375)	(30,375)
Cumulative changes in fair value		21,607	21,679	38,950
Other components of equity	14	25,041	23,827	27,826
Retained earnings		104,977	78,608	91,432
Equity attributable to owners of the Parent Company		380,197	352,686	386,780
Non-controlling interests	13	134,968	143,662	130,889
Total equity		515,165	496,348	517,669
Total liabilities and equity		1,257,488	1,202,724	1,282,023

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company						
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 14) KD '000	Retained earnings KD '000	Sub-Total KD '000
Balance at 1 January 2019	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686
Transactions with owners							
Decrease in non-controlling interests on disposal of indirect subsidiaries (Note 4)	-	-	-	-	-	-	(6,264)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	(6,789)
Other changes in non-controlling interests	-	-	-	-	-	-	66
Total transactions with owners	-	-	-	-	-	-	(12,987)
Comprehensive income							
Profit for the period	-	-	-	-	-	26,992	26,992
Other comprehensive (loss)/income for the period (actuarial losses and others)	-	-	-	(291)	1,214	(404)	519
Total comprehensive (loss)/income for the period	-	-	-	(291)	1,214	26,588	27,511
Realised loss on equity investments at FVOCI	-	-	-	219	-	(219)	-
Balance at 31 March 2019	135,985	122,962	(30,375)	21,607	25,041	104,977	380,197
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							(6,264)
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Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 14) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2018	135,985	122,962	(30,375)	103,959	30,457	13,000	375,988	130,127	506,115
Adjustments arising on adoption of IFRS 9 on 1 January 2018	-	-	-	(64,220)	-	60,789	(3,431)	(481)	(3,912)
Balance at 1 January 2018 (Restated)	135,985	122,962	(30,375)	39,739	30,457	73,789	372,557	129,646	502,203
Transactions with owners									
Amount payable to non-controlling interests on capital reduction of a subsidiary	-	-	-	-	-	-	-	(1,069)	(1,069)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(17)	(17)
Other changes in non-controlling interests	-	-	-	-	-	(179)	(179)	255	76
Total transactions with owners	-	-	-	-	-	(179)	(179)	(831)	(1,010)
Comprehensive income									
Profit for the period	-	-	-	-	-	18,516	18,516	5,219	23,735
Other comprehensive loss for the period (actuarial losses and others)	-	-	-	(879)	(2,631)	(604)	(4,114)	(3,145)	(7,259)
Total comprehensive (loss)/income for the period	-	-	-	(879)	(2,631)	17,912	14,402	2,074	16,476
Realised loss on equity investments at FVOCI	-	-	-	90	-	(90)	-	-	-
Balance at 31 March 2018	135,985	122,962	(30,375)	38,950	27,826	91,432	386,780	130,889	517,669

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit before foreign taxation		32,378	24,536
Adjustments for :			
Loss on disposal of indirect subsidiaries	4	1,520	-
Dividend income from financial assets at FVOCI		(897)	(128)
Share of results of associates		(4,857)	(6,239)
Profit on partial disposal of an associate		(1,597)	-
Interest/profit on bank balances, short-term deposits and wakala investments		(233)	(103)
Net provisions charged/(released)		838	(138)
Depreciation and amortisation		1,980	1,930
Finance costs		7,247	7,819
Impairment in value of intangible assets		945	-
Impairment in value of investment in associates		414	-
Impairment in value of receivables and other assets		19	437
		37,757	28,114
Changes in operating assets and liabilities:			
Inventories		(2,898)	224
Accounts receivable and other assets		(13,665)	(2,827)
Financial assets at fair value through profit or loss		(10,177)	(17,414)
Accounts payable and other liabilities		17,492	1,973
Cash from operations		28,509	10,070
Taxation paid		(223)	(79)
KFAS, NLST and Zakat paid		(95)	(9)
Net cash from operating activities		28,191	9,982
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,983)	(1,930)
Addition to investment properties		(3,012)	(5,829)
Additions to investment in associates		(200)	(727)
Purchase of financial assets at FVOCI		(629)	(109)
Proceeds from sale of financial assets at FVOCI		1,880	1,809
Dividend income received from financial assets at FVOCI		897	128
Decrease in cash and cash equivalents on disposal of indirect subsidiaries	4	(3,684)	-
Increase in short term deposits maturing after three months		-	(2,350)
Increase in blocked balances		-	(1)
Interest/profit received on bank balances, short-term deposits and wakala investments		269	104
Net cash used in investing activities		(6,462)	(8,905)

The notes set out on pages 9 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
FINANCING ACTIVITIES			
Net increase/(decrease) in borrowings		19,122	(6,163)
Dividend paid to owners of the Parent Company		(79)	(30)
Finance costs paid		(7,465)	(7,787)
Change in non-controlling interests		(6,723)	(1,160)
Net cash from/(used in) financing activities		4,855	(15,140)
Net increase/(decrease) in cash and cash equivalents		26,584	(14,063)
Translation difference		58	(29)
		26,642	(14,092)
Cash and cash equivalents at beginning of the period		18,198	23,922
Cash and cash equivalents at end of the period	8	44,840	9,830

The notes set out on pages 9 to 22 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 8 May 2019.

The annual consolidated financial statements for the year ended 31 December 2018 were authorised for issuance by the Parent Company’s Board of Directors on 24 March 2019 and approved by the shareholders at the Annual General Meeting held on 2 May 2019.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2019 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” except as noted below.

The accounting policies used in the preparation of these interim condensed consolidated financial information is consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the changes described in note 3.

The interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated 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.

Operating results for the three-month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2018.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2018, except for the changes arising from applying IFRS 16 as noted in 3 below. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment.

3 Changes in accounting policies

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Group. Information on these new standards is presented below:

IFRS 16 Leases

IFRS 16 replaced IAS 17 and three related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged. The new accounting policy is described below.

Transition on date of initial application:

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in shareholders' equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 16 Leases (continued)

Impact on initial application:

The impact on the Group as a lessee is described below:

The Group presents right-of-use assets in property, plant and equipment and lease liabilities in “accounts payable and other liabilities” in the interim condensed consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 31 March 2019 amounted to KD7,187 thousand and KD7,200 thousand respectively.

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current period amounted to KD546 thousand and KD45 thousand and are included in “general, administrative and other expenses” and “finance costs” respectively in the interim condensed consolidated statement of profit or loss.

There was no impact to the opening shareholders’ equity as a result of adoption of IFRS 16.

There was no impact on adoption of IFRS 16 on the Group as a lessor. The Group continues to classify and accounts for its leases as either finance leases or operating leases. However, the standard has changed and expanded the disclosures required relating management of risks arising from the Group’s residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head-lease and sub-lease as two separate contracts.

New accounting policy for leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 16 Leases (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the interim condensed consolidated financial information of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but is not yet effective.

4 Disposal of subsidiaries

As at 31 December 2018, one of the local subsidiaries of the Group (“the subsidiary”) held 59.1% of equity interest in Noor Al Salhiya Real Estate Co. – KSC (Closed) (“NSREC”), an indirect subsidiary of the Group. During the current period, the subsidiary disposed 32.7% of equity interest in NSREC to a related party resulting in loss of control over NSREC by virtue of losing majority of the voting rights but retained significant influence over NSREC. As a result of the above disposal transaction, the Group also lost its control over certain other indirect subsidiaries, Noor CM Holding Company – KSC (Closed) (“NCM”), Ikarus Real Estate Company - LLC (“Ikarus Real Estate”), Sidra Middle East Company WLL (“Sidra”) and National Tamouh GTC Company - WLL (“Tamouh”). Consequent to loss of control over above indirect subsidiaries, the Group’s ownership in NSREC has further diluted. Accordingly, the retained interest of 16.9% in NSREC and other indirect subsidiaries have been considered as investment in associates effective from 1 January 2019.

- a) At the date of disposal, the fair values of the consideration and the carrying amounts of net assets disposed of the above mentioned subsidiaries were as follows:

	Three months ended 31 March 2019 (Unaudited) KD ‘000
Fair value of the consideration:	
- Consideration receivable (included in accounts receivable and other assets)*	3,000
- Fair value of investment property retained as a part of sale consideration**	2,890
- Fair value of retained interest in indirect subsidiaries classified as investment in associates	5,619
- Additional amounts due from associate companies recognised on deconsolidation of above indirect subsidiaries***	7,812
	19,321
Less: total carrying value of the net assets disposed (refer below b)	(20,841)
Loss on disposal of indirect subsidiaries	(1,520)

* Cash and cash equivalents amounting to KD3,684 thousand (excluding due consideration) was derecognised on disposal of subsidiaries (refer below b). Subsequent to the reporting date, the subsidiary has received the due consideration in full.

**As a part of the disposal transaction, the subsidiary has agreed with one of the buyers, a related party of the Group, to retain one of its existing investment properties (owned by NSREC and subsidiaries) with a carrying value of KD2,890 thousand against the consideration due.

*** Respective outstanding amounts due on these balances are included under accounts receivables and other assets as of 31 March 2019.

Notes to the interim condensed consolidated financial information (continued)

4 Disposal of subsidiaries (continued)

b) Net assets of the disposed subsidiaries as at the date of disposal were as follows;

	KD '000
Assets	
Bank balances and cash	2,112
Short term deposits	1,572
Wakala and sukuk investments	153
Accounts receivables and other assets	2,589
Financial assets at FVOCI	166
Investment properties	29,627
Investment in associates	83
	36,302
Less: Liabilities and non-controlling interests	
Accounts payables and other liabilities	(477)
Borrowings	(8,720)
Non-controlling interests	(6,264)
Net assets as at the date of disposal attributable to the Group	20,841

5 Income from investments

	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Dividend income:		
- From financial assets at fair value through profit or loss	3,527	2,138
- From financial assets at fair value through other comprehensive income	897	128
Realised gain on financial assets at fair value through profit or loss	3,711	2,295
Unrealised gain on financial assets at fair value through profit or loss	30,268	23,693
Interest income on debt securities classified under financial assets at FVTPL	18	19
	38,421	28,273

6 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
<i>Taxation of foreign subsidiaries*</i>		
Current tax expense		
Current period charge	(200)	(76)
	(200)	(76)

*Foreign taxation includes an amount of KD116 thousand charged (2018: KD75 thousand) by certain foreign subsidiaries which is calculated based on the tax law adopted in the United Kingdom.

(b) Provision for KFAS, NLST and Zakat

	Three months ended 31 March 2019 (Unaudited) KD '000	Three months ended 31 March 2018 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(230)	(166)
Provision for National Labour Support Tax (NLST)	(1,218)	(352)
Provision for Zakat	(267)	(207)
	(1,715)	(725)

Notes to the interim condensed consolidated financial information (continued)

7 Basic and diluted earnings per share

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

	Three months ended 31 March 2019 (Unaudited)	Three months ended 31 March 2018 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD '000)	26,992	18,516
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,391,309,848	1,391,309,848
Basic and diluted earnings per share	19.4 Fils	13.3 Fils

The weighted average number of shares outstanding during the current and previous period has been restated to add the bonus shares proposed at the Annual General Meeting of the Parent Company's shareholders held on 2 May 2019 (Note 13 b).

The basic and diluted earnings per share reported during the previous period for the three months ended 31 March 2018 was 14.0 Fils.

8 Cash and cash equivalents

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Bank balances and cash	34,991	32,077	32,516
Short-term deposits	33,249	9,136	6,664
Due to banks	(23,394)	(23,009)	(26,780)
	44,846	18,204	12,400
Less: Short term deposits maturing after 3 months	-	-	(2,350)
Blocked balances	(6)	(6)	(220)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	44,840	18,198	9,830

Due to banks includes bank overdraft facilities utilised by one of the subsidiaries of the Group which is secured by short term deposit of KD609 thousand (31 December 2018: KD610 thousand and 31 March 2018: KD980 thousand).

9 Financial assets at fair value through profit or loss

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Quoted shares	224,420	214,493	228,757
Quoted debt securities (held in managed portfolios)	1,309	1,299	1,302
Unquoted equity participations	21,494	21,642	17,527
Managed portfolios and funds	127,667	127,279	130,714
	374,890	364,713	378,300

Quoted shares and managed funds, held by the Group, with a fair value of KD160,404 thousand (31 December 2018: KD151,276 thousand and 31 March 2018: KD127,824 thousand) are secured against borrowings.

Notes to the interim condensed consolidated financial information (continued)

10 Financial assets at fair value through other comprehensive income

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Quoted shares	48,786	45,854	61,284
Unquoted equity participations	136,807	141,054	147,394
Managed portfolios and funds	28,947	29,577	27,353
	214,540	216,485	236,031

- a) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Company, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during 2017 until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.
- b) Quoted shares with a fair value of KD33,989 thousand (31 December 2018: KD32,651 thousand and 31 March 2018: KD8,410 thousand) and unquoted shares with a fair value of KD168 thousand (31 December 2018: KD168 thousand and 31 March 2018: KD6,888 thousand) are secured against bank borrowings (Note 12).

11 Investment in associates

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

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Balance at 1 January (previously reported)	317,462	336,045	336,045
Recognition of expected credit loss under IFRS 9 for financial assets of associates	-	(1,153)	(1,153)
Balance at 1 January (restated)	317,462	334,892	334,892
Additions during the period/year	200	2,107	727
Net additions due to deconsolidation of indirect subsidiaries (Note 4)	5,536	-	-
Share of results	4,857	15,182	6,239
Disposal/capital reduction (Note 11 a)	(3,118)	(12,993)	-
Share of other comprehensive loss	(1,824)	(346)	(1,907)
Dividend distribution (Note 11 b)	(1,603)	(9,984)	(1,522)
Impairment	(414)	-	-
Foreign currency translation adjustment	(140)	(11,485)	(2,913)
Other adjustments	172	89	359
Balance at the end of the period/year	321,128	317,462	335,875

- a) During the period, one of the local subsidiaries of the Group partially disposed (3% out of its holding of 38% at 31 December 2018) one of its foreign associates (Meezan Bank Ltd.) for a net consideration of KD6,291 thousand resulting in a net gain of KD1,597 thousand. At 31 March 2019 the Group's ownership in this associate reduced to 35%. The total consideration was not settled as of the reporting date and has been included in accounts receivable and other assets.
- b) As of the reporting date, dividend distribution includes an amount of KD1,603 thousand receivables from a foreign associate and it has been included under accounts receivable and other assets as of 31 March 2019.

Notes to the interim condensed consolidated financial information (continued)

12 Borrowings and bonds

Total borrowings and bonds are due as follows:

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Bonds – long term	25,000	25,000	25,000
Long term borrowings			
- Current portion of long term borrowings	106,181	96,294	357,419
- Due after more than one year	311,264	320,981	183,209
Short term borrowings	179,074	168,842	101,524
	621,519	611,117	667,152

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

a) Share capital and share premium

As of 31 March 2019, 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 2018: 1,359,853,075 shares and 31 March 2018: 1,359,853,075 shares).

Share premium is not available for distribution.

b) Dividend distribution

At the Annual General Meeting held on 2 May 2019, the shareholders approved a cash dividend of 12% (2017: 10%) equivalent to 12 Fils (2017: equivalent to 10 Fils) per share for the year ended 31 December 2018 and 5% bonus shares which represent 67,992,654 shares of 100 Fils each amounting to KD6,799 thousand.

c) Non-controlling interests

Decrease in non-controlling interests

As a result of loss in control over certain indirect subsidiaries, the Group de-recognised non-controlling interests amounting to KD6,264 thousand (Note 4).

14 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 2019	15,011	1,443	18,452	(11,079)	23,827
Other comprehensive income:					
Currency translation differences	-	-	-	402	402
Exchange differences transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	-	-	-	812	812
Balances at 31 March 2019	15,011	1,443	18,452	(9,865)	25,041
Balances at 1 January 2018	12,853	1,694	18,452	(2,542)	30,457
Other comprehensive income:					
Currency translation differences	-	-	-	(2,631)	(2,631)
Balances at 31 March 2018	12,853	1,694	18,452	(5,173)	27,826

15 Segmental analysis

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

	Investment			Building materials			Specialist engineering and chemical			Hotel and IT services			Total	
	31 March 2019	31 March 2018		31 March 2019	31 March 2018		31 March 2019	31 March 2018		31 March 2019	31 March 2018		31 March 2019	31 March 2018
	KD '000	KD '000		KD '000	KD '000		KD '000	KD '000		KD '000	KD '000		KD '000	KD '000
Three months ended														
Segment revenue	45,519	35,108		13,507	14,954		16,650	12,212		3,269	5,390		78,945	67,664
Less:														
Loss on disposal of indirect subsidiaries														-
Income from investments													1,520	(28,273)
Share of results of associates													(38,421)	(4,857)
Profit on partial disposal of an associate													(1,597)	(6,239)
Rental income													(462)	(559)
Interest and other income													(1,702)	(37)
Sales, per interim condensed consolidated statement of profit or loss														
Segment profit/(loss)	39,485	31,396		729	1,017		(126)	(734)		(122)	(38)		33,426	32,556
													39,966	31,641
Less:														
Finance costs													(7,247)	(7,819)
(Loss)/gain on foreign currency exchange													(341)	714
Profit before foreign taxation													32,378	24,536
Segment assets	1,054,567	1,112,598		76,899	72,686		111,313	77,217		14,709	19,522		1,257,488	1,282,023
Segment liabilities	(31,346)	(14,774)		(27,617)	(25,212)		(31,469)	(20,945)		(6,978)	(9,491)		(97,410)	(70,422)
Segment net assets	1,023,221	1,097,824		49,282	47,474		79,844	56,272		7,731	10,031		1,160,078	1,211,601
Borrowings and due to banks													(644,913)	(693,932)
Total equity per interim condensed consolidated statement of financial position													515,165	517,669

Notes to the interim condensed consolidated financial information (continued)

16 Related party transactions

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

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

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies (Note 4)	9,508	921	864
- Due from key management personnel	70	70	70
- Due on disposal of indirect subsidiaries (Note 4)	3,000	-	-
- Due from other related parties	5,826	5,875	5,041
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	469	419	20
- Due to other related parties	1,025	1,695	1,059
Transactions with related parties			
Development and construction costs		-	4,174
Retained investment property of the disposed subsidiaries as a part of the disposal consideration (Note 4)		2,890	-
Transactions included in the interim condensed consolidated statement of profit or loss			
Loss on disposal of indirect subsidiaries (Note 4)		1,520	-
Purchase of raw materials – from associates		846	755
Compensation of key management personnel of the Group			
Short term employee benefits		1,130	923
End of service benefits		37	53
Board of Directors' remuneration of subsidiaries		250	-
		1,417	976

17 Financial instruments

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

The carrying amounts of other financial assets and liabilities as at 31 March 2019, approximate their fair values.

Notes to the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets 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 31 March 2019

	Level 1	Level 2	Level 3	Total balance
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	224,420	-	-	224,420
- Quoted debt securities	1,309	-	-	1,309
- Unquoted equity participations	-	12,132	9,362	21,494
- Managed portfolios and funds	-	5,448	122,219	127,667
Financial assets at FVOCI				
- Quoted shares	48,786	-	-	48,786
- Unquoted equity participations	-	54,787	82,020	136,807
- Managed portfolios and funds	-	3,671	25,276	28,947
	274,515	76,038	238,877	589,430

At 31 December 2018

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Assets at fair value				
Financial assets at FVTPL				
- Quoted shares	214,493	-	-	214,493
- Quoted debt securities	1,299	-	-	1,299
- Unquoted equity participations	-	12,134	9,508	21,642
- Managed portfolios and funds	-	5,207	122,072	127,279
Financial assets at FVOCI				
- Quoted shares	45,854	-	-	45,854
- Unquoted equity participations	-	58,789	82,265	141,054
- Managed portfolios and funds	-	6,951	22,626	29,577
	261,646	83,081	236,471	581,198

Notes to the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

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

At 31 March 2018

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	228,757	-	-	228,757
- Quoted debt securities	1,302	-	-	1,302
- Unquoted shares	-	-	17,527	17,527
- Managed portfolios and funds	-	4,032	126,682	130,714
Financial assets at FVOCI				
- Quoted shares	61,284	-	-	61,284
- Unquoted equity participations	-	61,277	86,117	147,394
- Managed funds	-	958	26,395	27,353
	291,343	66,267	256,721	614,331

Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 March 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	31 March 2018 (Unaudited) KD '000
Opening balance	236,471	230,310	230,310
Net change in fair value	2,158	(1,139)	6,718
Net additions during the period/year	248	1,720	3,043
Transferred from investments carried at cost to fair value	-	20,214	20,214
Reclassification	-	(14,634)	(3,564)
Closing balance	238,877	236,471	256,721

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.

18 Interest and other income

Interest and other income for the current period, includes a reversal of finance costs of KD813 thousand which was accrued during the year ended 31 December 2018 based on a court decision received against one of the subsidiaries of the Group. This amount has been reversed based on the out of court settlement agreement entered between the management of the subsidiary and the counter party to settle the dues without any payment for the above mentioned finance costs accrued. Accordingly, during the period the subsidiary has settled an amount of KD2,300 thousand which was already included under accounts payable and other liabilities as at 31 December 2018.

Notes to the interim condensed consolidated financial information (continued)

19 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 31 March 2019 amounted to KD8,983 thousand (31 December 2018: KD9,225 thousand and 31 March 2018: KD8,697 thousand) of which assets managed on behalf of related parties amounted to KD2,741 thousand (31 December 2018: KD3,121 thousand and 31 March 2018: KD2,752 thousand).

20 Contingent liabilities and capital commitments

As at 31 March 2019, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD26,717 thousand (31 December 2018: KD26,888 thousand and 31 March 2018: KD24,505 thousand).

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 KD25,480 thousand (31 December 2018: KD31,498 thousand and 31 March 2018: KD38,322 thousand) and committed loan to a related party KD91 thousand (31 December 2018: KD304 thousand and 31 March 2018: KD1,802).

21 Subsequent event

Wakala investments of KD14,324 thousand placed by a local subsidiary of the Group 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. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules. The subsidiary initiated various legal cases against the investee company to recover these amounts. Subsequent to the reporting date, the subsidiary has signed settlement agreement with the investee company and as per the agreement, all claims and related legal cases between both parties will be considered as resolved subject to transfer of 50% shares of a local unlisted subsidiary of the investee company to the subsidiary. The transfer of shares is still in process.

22 Comparative information

Certain comparative figures have 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.