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

30 September 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 30 September 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 nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 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
6 November 2019

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Sales		31,491	31,088	99,965	93,624
Cost of sales		(26,241)	(25,991)	(84,409)	(77,912)
Gross profit		5,250	5,097	15,556	15,712
Loss on disposal of indirect subsidiaries	4	-	-	(1,520)	-
Income from investments	5	(4,501)	15,542	59,944	59,523
Share of results of associates	13	6,199	3,458	16,064	14,730
Gain on disposal of associates	13	-	1,080	1,488	3,616
Rental income		638	607	1,681	1,803
Interest and other income	6	167	400	2,144	1,679
Distribution costs		(1,915)	(2,114)	(6,188)	(6,412)
General, administrative and other expenses		(5,692)	(6,308)	(18,773)	(17,570)
Loss on foreign currency exchange		(14)	(106)	(1,144)	(494)
		132	17,656	69,252	72,587
Finance costs		(7,427)	(8,592)	(22,637)	(25,245)
Impairment in value of goodwill and other intangible assets		-	(1,190)	(945)	(2,468)
Impairment in value of associates	13	(526)	-	(3,026)	-
Impairment in value of accounts receivables and other assets		(58)	(305)	(221)	(350)
(Loss)/profit before foreign taxation		(7,879)	7,569	42,423	44,524
Foreign taxation	7a	(74)	(54)	(409)	(377)
(Loss)/profit before provision for KFAS, NLST and Zakat		(7,953)	7,515	42,014	44,147
Provision reversal/(charge)for KFAS, NLST and Zakat	7b	381	(171)	(1,732)	(1,204)
(Loss)/profit for the period		(7,572)	7,344	40,282	42,943
(Loss)/profit for the period attributable to:					
Owners of the Parent Company		(7,399)	7,363	35,806	32,271
Non-controlling interests		(173)	(19)	4,476	10,672
		(7,572)	7,344	40,282	42,943
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	8	(5.3) Fils	5.3 Fils	25.7 Fils	23.2 Fils

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

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

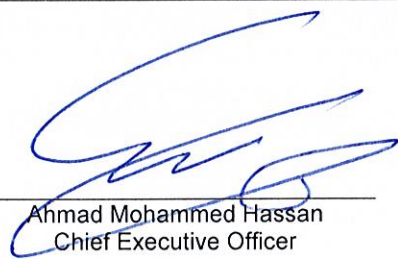
	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
(Loss)/profit for the period	(7,572)	7,344	40,282	42,943
Other comprehensive income/(loss):				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
- Exchange differences arising on translation of foreign operations	1,343	(509)	(4,639)	(6,426)
- Transferred to interim condensed consolidated statement of profit or loss on disposal of associates	-	1,486	1,542	3,796
Share of other comprehensive (loss)/income of associates				
- Change in fair value	(7)	(199)	18	(669)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	1,336	778	(3,079)	(3,299)
Items not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan actuarial gain/(losses)	415	(128)	240	(34)
Net changes in fair value of investments in equity instruments designated at FVOCI	(2,642)	(3,020)	(15,290)	(7,904)
Share of other comprehensive income/(loss) of associates	1,991	1,422	2,066	(311)
Total other comprehensive loss not being reclassified to profit or loss in subsequent periods	(236)	(1,726)	(12,984)	(8,249)
Total other comprehensive income/(loss) for the period	1,100	(948)	(16,063)	(11,548)
Total comprehensive (loss)/income for the period	(6,472)	6,396	24,219	31,395
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Parent Company	(6,286)	6,862	24,515	20,143
Non-controlling interests	(186)	(466)	(296)	11,252
	(6,472)	6,396	24,219	31,395

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Assets				
Bank balances and cash	9	24,132	32,077	29,133
Short-term deposits	9	13,912	9,136	49,931
Wakala and sukuk investments	10	1,000	1,153	1,153
Accounts receivable and other assets	4	55,486	49,453	50,506
Inventories		38,488	36,587	35,300
Financial assets at fair value through profit or loss	11	383,108	364,713	386,621
Financial assets at fair value through other comprehensive income	12	196,519	216,485	231,700
Investment properties	4	60,147	76,857	76,265
Investment in associates	13	323,021	317,462	322,625
Property, plant and equipment		94,793	88,876	87,765
Goodwill and other intangible assets		9,405	9,925	11,284
Total assets		1,200,011	1,202,724	1,282,283
Liabilities and equity				
Liabilities				
Due to banks	9	23,541	23,009	23,130
Accounts payable and other liabilities		69,417	58,677	52,941
Borrowings and bonds	14	610,224	611,117	667,685
Provisions		13,869	13,573	14,339
Total liabilities		717,051	706,376	758,095
Equity attributable to owners of the Parent Company				
Share capital	15	142,784	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		11,706	21,679	28,683
Other components of equity	16	21,998	23,827	28,854
Retained earnings		91,472	78,608	93,187
Equity attributable to owners of the Parent Company		360,547	352,686	379,296
Non-controlling interests	15	122,413	143,662	144,892
Total equity		482,960	496,348	524,188
Total liabilities and equity		1,200,011	1,202,724	1,282,283


Sa'ad Mohammed Al-Sa'ad
Chairman


Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 24 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 16) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2019	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686	143,662	496,348
Transactions with owners									
Decrease in non-controlling interests on disposal of indirect subsidiaries (Note 4)	-	-	-	-	-	-	-	(6,264)	(6,264)
Issue of bonus shares (Note 15 b)	6,799	-	-	-	-	(6,799)	-	-	-
Dividend paid (Note 15 b)	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(8,189)	(8,189)
Adjustments arising on capital reduction of a subsidiary (Note 15 c)	-	-	-	-	-	-	-	(3,041)	(3,041)
Consolidation adjustments and other changes related to retained earnings and non-controlling interests	-	-	-	-	-	(753)	(753)	(3,459)	(4,212)
Total transactions with owners	6,799	-	-	-	-	(23,453)	(16,654)	(20,953)	(37,607)
Comprehensive income									
Profit for the period	-	-	-	-	-	35,806	35,806	4,476	40,282
Other comprehensive (loss)/income for the period (actuarial gain and others)	-	-	-	(9,702)	(1,829)	240	(11,291)	(4,772)	(16,063)
Total comprehensive (loss)/income for the period	-	-	-	(9,702)	(1,829)	36,046	24,515	(296)	24,219
Realised gain on equity investments at FVOCI	-	-	-	(271)	-	271	-	-	-
Balance at 30 September 2019	142,784	122,962	(30,375)	11,706	21,998	91,472	360,547	122,413	482,960

The notes set out on pages 9 to 24 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	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 16) 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									
Dividend paid (Note 15 b)	-	-	-	-	(251)	(13,000)	(13,251)	-	(13,251)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(1,597)	(1,597)
Amount payable to non-controlling interests on capital reduction of a subsidiary	-	-	-	-	-	-	-	(1,069)	(1,069)
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	6,409	6,409
Consolidation adjustments and other changes related to retained earnings and non-controlling interests	-	-	-	-	-	(153)	(153)	251	98
Total transactions with owners	-	-	-	-	(251)	(13,153)	(13,404)	3,994	(9,410)
Comprehensive income									
Profit for the period	-	-	-	-	-	32,271	32,271	10,672	42,943
Other comprehensive (loss)/income for the period (actuarial losses and others)	-	-	-	(10,742)	(1,352)	(34)	(12,128)	580	(11,548)
Total comprehensive (loss)/income for the period	-	-	-	(10,742)	(1,352)	32,237	20,143	11,252	31,395
Realised gain on equity investments at FVOCI	-	-	-	(314)	-	314	-	-	-
Balance at 30 September 2018	135,985	122,962	(30,375)	28,683	28,854	93,187	379,296	144,892	524,188

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2019 (Unaudited) KD '000	Nine months ended 30 Sept. 2018 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before foreign taxation	42,423	44,524
Adjustments for:		
Loss on disposal of indirect subsidiaries	1,520	-
Dividend income from financial assets at FVOCI	(3,151)	(3,405)
Share of results of associates	(16,064)	(14,730)
Gain on disposal of associates	(1,488)	(3,616)
Interest/profit on bank balances, short-term deposits, wakala and sukuk investments	(726)	(725)
Gain on acquisition of a subsidiary (negative goodwill)	-	(593)
Net provision (released)/charged	296	(918)
Depreciation and amortisation	6,911	5,485
Write off of property, plant and equipment	-	210
Finance costs	22,637	25,245
Impairment in value of goodwill and other intangible assets	945	2,468
Impairment in value of associates	3,026	-
Impairment in value of accounts receivable and other assets	221	350
	56,550	54,295
Changes in operating assets and liabilities:		
Inventories	(1,901)	(1,508)
Accounts receivable and other assets	(1,162)	45,440
Financial assets at fair value through profit or loss	(18,395)	(26,823)
Accounts payable and other liabilities	(2,165)	2,520
	32,927	73,924
Taxation paid	(398)	(226)
KFAS, NLST and Zakat paid	(385)	(42)
Net cash from operating activities	32,144	73,656
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,993)	(9,810)
Addition to investment properties	(10,027)	(10,144)
Addition to investment in associates	(913)	(2,279)
Proceeds from disposal/capital reduction of associates	7,423	19,081
Dividend received from associates	7,851	8,593
Purchase of financial assets at FVOCI	(2,014)	(5,135)
Proceeds from sale of financial assets at FVOCI	8,946	4,320
Decrease in cash and cash equivalents on disposal of indirect subsidiaries	(684)	-
Dividend income received from financial assets at FVOCI	3,151	3,405
Net cash outflow resulting from acquisition of a subsidiary	-	(326)
Decrease/(increase) in short term deposits maturing after three months	400	(1,250)
Decrease in block balances	-	213
Interest/profit received from bank balances, short-term deposits, wakala and sukuk investments	595	648
Net cash from investing activities	9,735	7,316

The notes set out on pages 9 to 24 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. 2019 (Unaudited) KD '000	Nine months ended 30 Sept. 2018 (Unaudited) KD '000
FINANCING ACTIVITIES			
Net increase/(decrease) in borrowings		7,827	(9,542)
Dividend paid to owners of the Parent Company		(15,583)	(12,862)
Dividend paid to non-controlling interests		(8,189)	(1,597)
Finance costs paid		(22,790)	(25,515)
Change in non-controlling interests		(6,500)	(673)
Net cash used in financing activities		(45,235)	(50,189)
Net increase/(decrease) in cash and cash equivalents		(3,356)	30,783
Translation difference		55	(27)
		(3,301)	30,756
Cash and cash equivalents at the beginning of the period		16,647	21,731
Cash and cash equivalents at the end of the period	9	13,346	52,487

The notes set out on pages 9 to 24 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 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 nine-month period ended 30 September 2019 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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 nine-month period ended 30 September 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 30 September 2019 amounted to KD6,104 thousand and KD5,397 thousand respectively.

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current period amounted to KD1,347 thousand and KD528 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.

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.

Notes to the interim condensed consolidated financial information (continued)

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 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:

	KD ‘000
Fair value of the consideration:	
- Consideration received*	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 KD684 thousand (excluding consideration received) was derecognised on disposal of subsidiaries (refer below b).

**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.

- 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

Notes to the interim condensed consolidated financial information (continued)

5 Income from investments

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Dividend income:				
- From financial assets at FVTPL	429	1,088	8,566	7,991
- From financial assets at FVOCI	143	725	3,151	3,405
Realised gain on financial assets at FVTPL	3,186	481	7,739	3,365
Unrealised gain on financial assets at FVTPL	(8,278)	13,236	40,427	44,712
Interest income on debt instruments classified under financial assets at FVTPL	19	12	61	50
	(4,501)	15,542	59,944	59,523

6 Interest and other income

Interest and other income for the 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 above subsidiary has settled an amount of KD2,300 thousand which was already included under accounts payable and other liabilities as at 31 December 2018.

7 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
<i>Taxation of foreign subsidiaries</i>				
Current tax expense				
Current period charge	(74)	(54)	(409)	(377)
	(74)	(54)	(409)	(377)

(b) Provision reversal/(charged) for KFAS, NLST and Zakat

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	21	(35)	(297)	(318)
Provision for National Labour Support Tax (NLST)	247	(133)	(1,220)	(561)
Provision for Zakat	113	(3)	(215)	(325)
	381	(171)	(1,732)	(1,204)

Notes to the interim condensed consolidated financial information (continued)

8 Basic and diluted (loss)/earnings per share

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

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD '000)	(7,399)	7,363	35,806	32,271
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,391,309,848	1,391,309,848	1,391,309,848	1,391,309,848
Basic and diluted (loss)/earnings per share	(5.3) Fils	5.3 Fils	25.7 Fils	23.2 Fils

The weighted average number of shares outstanding during previous period has been restated to add the bonus shares issued during the period as approved at the Annual General Meeting of the Parent Company's shareholders held on 2 May 2019 (Note 15 b).

The basic and diluted earnings per share reported during the previous period for the three months and nine months ended 30 September 2018 was 5.6 Fils and 24.4 Fils respectively.

9 Cash and cash equivalents

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Bank balances and cash	24,132	32,077	29,133
Short-term deposits	13,912	9,136	49,931
Due to banks	(23,541)	(23,009)	(23,130)
	14,503	18,204	55,934
Less: Short term deposits maturing after 3 months	(1,151)	(1,551)	(3,441)
Blocked balances	(6)	(6)	(6)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	13,346	16,647	52,487

Due to banks includes bank overdraft facilities utilised by one of the subsidiaries of the Group which is secured by short term deposit of KD619 thousand (31 December 2018: KD610 thousand and 30 September 2018: KD856 thousand).

10 Wakala and sukuk investments

Wakala investment of KD14,324 thousand placed by a local subsidiary of the Group in previous years 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 which have been decided in favour of the subsidiary. During the period, the subsidiary has signed a settlement agreement with the investee company and as per the agreement 50% shares of a local unlisted company (acquired company) have been transferred to the subsidiary. The acquired company along with other entities are pursuing legal action in order to execute their joint rights as per previous court verdict. The management of the subsidiary is of the opinion that the financial impact of this transaction will be adjusted upon completion of the relevant legal proceedings.

Notes to the interim condensed consolidated financial information (continued)

11 Financial assets at fair value through profit or loss

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Quoted shares	220,150	214,493	227,081
Quoted debt securities (held in managed portfolios)	1,329	1,299	1,288
Unquoted equity participations	27,711	21,642	21,008
Managed portfolios and funds	133,918	127,279	137,244
	383,108	364,713	386,621

Quoted shares and managed funds, held by the Group, with a fair value of KD148,410 thousand (31 December 2018: KD151,276 thousand and 30 September 2018: KD144,715 thousand) are secured against borrowings.

12 Financial assets at fair value through other comprehensive income

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Quoted shares	48,598	45,854	54,981
Unquoted equity participations	121,718	141,054	145,925
Managed portfolios and funds	26,203	29,577	30,794
	196,519	216,485	231,700

- a) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Limited, 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 the current period 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 KD32,340 thousand (31 December 2018: KD32,651 thousand and 30 September 2018: KD8,619 thousand) and unquoted shares with a fair value of KD96 thousand (31 December 2018: KD168 thousand and 30 September 2018: KD6,532 thousand) are secured against bank borrowings (Note 14).

Notes to the interim condensed consolidated financial information (continued)

13 Investment in associates

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

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 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	913	2,107	2,279
Net additions due to deconsolidation of indirect subsidiaries (Note 4)	5,536	-	-
Share of results	16,064	15,182	14,730
Disposal/capital reduction (Note 13 a)	(4,393)	(12,993)	(15,465)
Share of other comprehensive gain/(loss)	2,084	(346)	(980)
Dividend distribution	(7,851)	(9,984)	(9,984)
Impairment in value (Note 13 b)	(3,026)	-	-
Foreign currency translation adjustment	(4,073)	(11,485)	(2,387)
Other adjustments	305	89	(460)
Balance at the end of the period/year	323,021	317,462	322,625

- 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 KD6,374 thousand resulting in a net gain of KD1,597 thousand. At 30 September 2019 the Group's ownership in this associate reduced to 35%.

Further during the period, the same local subsidiary disposed investment in another associate (Bayt Al Raya Real Estate Development Company) for a net consideration of KD1,049 thousand resulting in a loss of KD109 thousand.

- b) During the period, the Group performed an impairment assessment on certain associates as there were indications of impairment for such associates. Consequently, the Group recognised an impairment loss of KD3,026 thousand (30 September 2018: Nil) in respect of those associates.

14 Borrowings and bonds

Total borrowings and bonds are due as follows:

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Bonds – long term	25,000	25,000	25,000
Long term borrowings			
- Current portion of long term borrowings	108,257	96,294	240,321
- Due after more than one year	283,194	320,981	244,634
Short term borrowings	193,773	168,842	157,730
	610,224	611,117	667,685

Notes to the interim condensed consolidated financial information (continued)

15 Share capital, dividend distributions and non-controlling interests

a) Share capital

As of 30 September 2019, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,427,845,728 shares of 100 Fils each (31 December 2018: 1,359,853,075 shares and 30 September 2018: 1,359,853,075 shares).

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 67,992,653 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).

During the period, the shareholders of one of the local subsidiaries of the Group, decided to decrease its share capital by KD11,020 thousand out of which KD3,041 thousand pertains to non-controlling interests.

16 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
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(2,623)	(2,623)
Exchange differences transferred to interim condensed consolidated statement of profit or loss on disposal of associates	-	-	-	794	794
Balances at 30 September 2019	15,011	1,443	18,452	(12,908)	21,998
Balances at 1 January 2018	12,853	1,694	18,452	(2,542)	30,457
<i>Transactions with owners:</i>					
Dividend paid	-	(251)	-	-	(251)
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(3,307)	(3,307)
Exchange differences transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	-	-	-	1,955	1,955
Balances at 30 September 2018	12,853	1,443	18,452	(3,894)	28,854

17 Segmental analysis

[illegible]

17 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering and chemical		Hotel & IT services		Total
	30 Sept. 2019 KD '000	30 Sept. 2018 KD '000	30 Sept. 2019 KD '000	30 Sept. 2018 KD '000	30 Sept. 2019 KD '000	30 Sept. 2018 KD '000	30 Sept. 2019 KD '000	30 Sept. 2018 KD '000	
Nine months ended									
Segment revenue	79,801	81,351	36,033	40,023	54,277	42,173	9,655	179,766	174,975
Less:									
Loss on disposal of indirect subsidiaries	-	-	-	-	-	-	1,520	(59,523)	(59,523)
Income from investments	(59,944)	(16,064)	(16,064)	(14,730)	(16,064)	(14,730)	(59,944)	(16,064)	(14,730)
Share of result of associates	(1,488)	(1,803)	(1,488)	(1,803)	(1,488)	(1,803)	(1,488)	(1,803)	(3,616)
Rental income	(1,681)	(2,144)	(1,681)	(2,144)	(1,681)	(2,144)	(1,681)	(1,803)	(1,803)
Interest and other income	(2,144)	(1,679)	(2,144)	(1,679)	(2,144)	(1,679)	(2,144)	(1,679)	(1,679)
Sales, per interim condensed consolidated statement of profit or loss	99,965	93,624					99,965	93,624	
Segment profit/(loss)	66,204	70,263	1,129	2,324	213	(506)	273	70,263	
Less:									
Finance costs	(22,637)	(25,245)					(22,637)	(25,245)	
Loss on foreign currency exchange	(1,144)	(494)					(1,144)	(494)	
Profit before foreign taxation	42,423	44,524					42,423	44,524	
Segment assets	1,004,147	1,092,338	73,472	76,468	111,097	96,574	11,295	1,282,283	
Segment liabilities	(26,841)	(12,878)	(23,458)	(23,919)	(27,216)	(23,469)	(5,771)	(83,286)	
Segment net assets	977,306	1,079,460	50,014	52,549	83,881	73,105	5,524	1,116,725	
Borrowings, bonds and due to banks								1,215,003	
Total equity as per interim condensed consolidated statement of financial position							(633,765)	(690,815)	
	482,960	524,188					482,960	524,188	

Notes to the interim condensed consolidated financial information (continued)

18 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. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 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)	8,185	921	2,376
- Due from key management personnel	70	70	70
- Due from other related parties	1,125	5,875	5,403
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	468	419	419
- Due to other related parties	471	1,695	677
Transactions with related parties			
Development and construction costs	1,875	-	5,086
Purchase of investment from an associate	-	-	3,537
Retained investment property of the disposed subsidiaries as a part of the disposal consideration (Note 4)	2,890	-	-
	Three months ended		Nine months ended
	30 Sept. 2019 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2019 (Unaudited) KD '000
			30 Sept. 2018 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss			
Purchase of raw materials – from associates	483	1,300	2,298
Loss on disposal of indirect subsidiaries (Note 4)	-	-	1,520
Impairment in value of associates	526	-	3,026
Impairment in value of accounts receivables and other assets	-	263	-
			263
Compensation of key management personnel of the Group			
Short term employee benefits	828	957	3,145
End of service benefits	31	36	188
Board of Directors' remuneration of subsidiaries	-	-	250
	859	993	3,583
			3,100

19 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, 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 30 September 2019 approximate their fair values.

Notes to the interim condensed consolidated financial information (continued)

19 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 2019

	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	220,150	-	-	220,150
- Quoted debt securities	1,329	-	-	1,329
- Unquoted equity participations	-	14,744	12,967	27,711
- Managed portfolios and funds	-	4,753	129,165	133,918
Financial assets at FVOCI				
- Quoted shares	48,598	-	-	48,598
- Unquoted equity participations	-	45,632	76,086	121,718
- Managed portfolios and funds	-	5,885	20,318	26,203
	270,077	71,014	238,536	579,627

At 31 December 2018

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance 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)

19 Financial instruments (continued)

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

At 30 September 2018

	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	227,081	-	-	227,081
- Quoted debt securities	1,288	-	-	1,288
- Unquoted equity participations	-	-	21,008	21,008
- Managed portfolios and funds	-	38,482	98,762	137,244
Financial assets at FVOCI				
- Quoted shares	54,981	-	-	54,981
- Unquoted equity participations	-	55,039	90,886	145,925
- Managed portfolios and funds	-	971	29,823	30,794
	283,350	94,492	240,479	618,321

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:

	30 Sept. 2019 (Unaudited) KD '000	31 Dec. 2018 (Audited) KD '000	30 Sept. 2018 (Unaudited) KD '000
Opening balance	236,471	230,310	230,310
Net change in fair value	10,356	(1,139)	7,047
Net (disposal)/additions during the period/year	(8,291)	1,720	(3,681)
Transferred from investments carried at cost to fair value	-	20,214	20,214
Reclassification	-	(14,634)	(13,411)
Closing balance	238,536	236,471	240,479

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.

20 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 2019 amounted to KD9,055 thousand (31 December 2018: KD9,225 thousand and 30 September 2018: KD8,507 thousand) of which assets managed on behalf of related parties amounted to KD2,527 thousand (31 December 2018: KD3,121 thousand and 30 September 2018: KD2,674 thousand).

Notes to the interim condensed consolidated financial information (continued)

21 Contingent liabilities and capital commitments

As at 30 September 2019, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD22,107 thousand (31 December 2018: KD26,888 thousand and 30 September 2018: KD17,214 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 KD26,149 thousand (31 December 2018: KD31,498 thousand and 30 September 2018: KD33,539 thousand) and committed loan to a related party KD Nil thousand (31 December 2018: KD304 thousand and 30 September 2018: KD911 thousand).

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.