

Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 March 2017 (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 2017 and the related interim condensed consolidated statements of profit or loss, 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 2017 that might have had a material effect on the business or financial position of the Group.

Anwar Y. Al-Qatami, F.C.C.A.
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of Grant Thornton – Al-Qatami, Al-Aiban & Partners

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Kuwait
14 May 2017

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Sales		27,767	30,081
Cost of sales		(22,974)	(24,564)
Gross profit		4,793	5,517
Income from investments	4	9,465	1,769
Share of results of associates	7	5,400	5,974
Loss on partial disposal of an associate		(48)	-
Rental income		433	601
Interest and other income		474	430
Distribution costs		(1,689)	(1,752)
General, administrative and other expenses		(5,335)	(5,246)
Gain on foreign currency exchange		502	419
		13,995	7,712
Finance costs		(7,590)	(6,838)
Impairment in value of available for sale investments	8	(1,785)	(411)
Impairment in value of receivables and other assets		(310)	-
Profit before foreign taxation		4,310	463
Foreign taxation	5 a	(78)	(59)
Profit before KFAS, NLST and Zakat		4,232	404
KFAS, NLST and Zakat	5 b	(97)	(72)
Profit for the period		4,135	332
Attributable to :			
Owners of the Parent Company		3,140	386
Non-controlling interests		995	(54)
		4,135	332
Basic and diluted earnings per share attributable to the owners of the Parent Company	6	2.4 Fils	0.3 Fils

The notes set out on pages 9 to 20 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 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Profit for the period	4,135	332
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	(746)	(674)
Available for sale investments:		
- Net changes in fair value arising during the period	75	(33,942)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	(585)	(210)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	1,785	411
Share of other comprehensive income of associates		
- Changes in fair value	2,148	596
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	2,677	(33,819)
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial (loss)/gains	(592)	319
Total other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	(592)	319
Total other comprehensive income/(loss) for the period	2,085	(33,500)
Total comprehensive income/(loss) for the period	6,220	(33,168)
Total comprehensive income attributable to:		
Owners of the Parent Company	6,484	(27,406)
Non-controlling interests	(264)	(5,762)
	6,220	(33,168)

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets		13,924	14,025	12,327
Property, plant and equipment		70,783	70,837	69,962
Investment in associates	7	355,589	350,540	340,746
Investment properties		66,311	64,294	71,176
Available for sale investments	8	410,636	405,935	460,201
Accounts receivable and other assets		936	1,410	1,058
Total non-current assets		918,179	907,041	955,470
Current assets				
Inventories		31,312	32,434	33,794
Available for sale investments	8	129,747	133,118	39,939
Accounts receivable and other assets		63,216	60,159	67,782
Murabaha, wakala and sukuk investments	13	1,170	1,164	1,005
Investments at fair value through profit or loss	9	77,168	76,782	79,421
Short-term deposits and investments	13	11,326	9,224	20,936
Bank balances and cash	13	43,506	33,696	28,100
Total current assets		357,445	346,577	270,977
Total assets		1,275,624	1,253,618	1,226,447
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	10	135,985	135,985	135,985
Treasury shares		(30,375)	(30,375)	(30,375)
Share premium	10	122,962	122,962	122,962
Cumulative changes in fair value		113,354	108,729	68,743
Other components of equity	11	30,837	31,526	28,351
(Accumulated losses)/retained earnings		(5,833)	(8,495)	30,930
Equity attributable to owners of the parent company		366,930	360,332	356,596
Non-controlling interests		136,745	137,047	123,061
Total equity		503,675	497,379	479,657
Non-current liabilities				
Long-term borrowings & bonds	12	341,321	354,019	424,571
Leasing creditors		112	145	314
Provisions		14,974	14,645	14,865
Other non-current liabilities		1,080	1,052	-
Total non-current liabilities		357,487	369,861	439,750
Current liabilities				
Accounts payable and other liabilities		44,215	44,285	47,272
Short-term borrowings	12	344,529	320,907	238,405
Due to banks	13	25,718	21,186	21,363
Total current liabilities		414,462	386,378	307,040
Total liabilities		771,949	756,239	746,790
Total equity and liabilities		1,275,624	1,253,618	1,226,447

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

79	-	(6)	32	76	35	35	20	75
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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	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 11) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2016	135,985	(30,375)	122,962	96,378	28,827	30,225	384,002	128,909	512,911
Transactions with owners									
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(154)	(154)
Other changes in non-controlling interests	-	-	-	-	-	-	-	68	68
Total transactions with owners	-	-	-	-	-	-	-	(86)	(86)
Comprehensive income									
Profit/(loss) for the period	-	-	-	-	-	386	386	(54)	332
Other comprehensive (loss)/income for the period (actuarial gains and others)	-	-	-	(27,635)	(476)	319	(27,792)	(5,708)	(33,500)
Total comprehensive (loss)/income for the period	-	-	-	(27,635)	(476)	705	(27,406)	(5,762)	(33,168)
Balance at 31 March 2016	135,985	(30,375)	122,962	68,743	28,351	30,930	356,596	123,061	479,657

The notes set out on pages 9 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before foreign taxation	4,310	463
Adjustments for :		
Dividend income from available for sale investments	(3,647)	(3,407)
Profit on sale of available for sale investments	(1,701)	(855)
Share of results of associates	(5,400)	(5,974)
Loss on partial disposal of an associate	48	-
Interest/profit on bank balances, short-term deposits, wakala, murabaha and sukuk investments	(143)	(84)
Depreciation and amortisation	1,774	1,719
Finance costs	7,590	6,838
Impairment in value of available for sale investments	1,785	411
Impairment in value of receivables and other assets	310	-
Net provisions charged/(released)	329	(571)
	5,255	(1,460)
Changes in operating assets and liabilities:		
Inventories	1,122	260
Accounts receivable and other assets	(2,949)	19,974
Investments at fair value through profit or loss	(386)	4,612
Accounts payable and other liabilities	(179)	(1,252)
Cash from operations	2,863	22,134
Taxation paid	(61)	(38)
KFAS, NLST and Zakat paid	-	(2)
Net cash from operating activities	2,802	22,094
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,798)	(1,373)
Additions to investment in associates	(218)	(372)
Proceeds from disposal of associates	81	-
Addition to investment properties	(2,017)	(1,694)
Purchase of available for sale investments	(5,381)	(2,785)
Dividend received from associate companies	1,814	3,269
Proceeds from sale of available for sale investments	5,242	10,585
Increase in short term deposits maturing after three months	(2,525)	-
Increase in wakala investments maturing after three months	(6)	(5)
Increase in blocked balances	(2)	-
Dividend income received from available for sale investments	3,647	3,407
Interest/profit received from bank balances, short-term deposits, wakala, murabaha and sukuk investments	87	39
Net cash (used in)/ from investing activities	(1,076)	11,071

The notes set out on pages 9 to 20 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 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
FINANCING ACTIVITIES			
Finance lease movement		(33)	(110)
Net increase/(decrease) in long-term borrowings		16,592	(36,013)
Net decrease in short-term borrowings		(5,668)	(2,046)
Dividend paid to owners of the Parent Company		(144)	(125)
Finance costs paid		(7,564)	(7,212)
Change in non-controlling interests		(38)	(86)
Net cash from/ (used in) financing activities		3,145	(45,592)
Net increase/(decrease) in cash and cash equivalents		4,871	(12,427)
Translation difference		(18)	(29)
		4,853	(12,456)
Cash and cash equivalents at beginning of the period		21,409	39,804
Cash and cash equivalents at end of the period	13	26,262	27,348

The notes set out on pages 9 to 20 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 14 May 2017.

The annual consolidated financial statements for the year ended 31 December 2016 were authorised for issuance by the Parent Company’s Board of Directors on 30 March 2017 and are subject to the approval of shareholders at forthcoming Annual General Meeting which is scheduled to be held on 23 May 2017.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2017 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2016.

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

3 Significant accounting policies

The interim condensed consolidated financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

4 Income from investments

	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Dividend income:		
- From investments at fair value through profit or loss	203	193
- From available for sale investments	3,647	3,407
Profit on sale of available for sale investments	1,701	855
Realised gain/(loss) on investments at fair value through profit or loss	249	(9)
Unrealised gain/(loss) on investments at fair value through profit or loss	3,665	(2,677)
	9,465	1,769

Notes to the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
<i>Taxation of foreign subsidiaries*</i>		
Current tax expense		
Current period charge	(78)	(59)
	(78)	(59)

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

	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(22)	(18)
Provision for National Labour Support Tax (NLST)	(52)	(33)
Provision for Zakat	(23)	(21)
	(97)	(72)

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

**The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current period (2016: Nil) as the net taxable results attributable to the Parent Company was a loss.

6 Basic & diluted earnings 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 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD '000)	3,140	386
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,325,056,996	1,325,056,996
Basic and diluted earnings per share	2.4 Fils	0.3 Fils

Notes to the interim condensed consolidated financial information (continued)

7 Investment in associates

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

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Balance at 1 January	350,540	337,187	337,187
Additions during the period/year	218	2,182	372
Share of results	5,400	21,177	5,974
Disposal/Capital reduction	(129)	(3,108)	-
Share of other comprehensive income	2,148	1,143	596
Dividend received	(1,814)	(9,286)	(3,269)
Foreign currency translation adjustment	(418)	1,082	(114)
Other adjustments	(356)	163	-
Balance at the end of the period/year	355,589	350,540	340,746

8 Available for sale investments

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Non-Current			
Managed funds	115,543	112,008	109,166
Unquoted equity participations	104,544	102,537	185,466
Quoted shares and debt securities	190,549	191,390	165,569
	410,636	405,935	460,201
Current			
Quoted shares	44,566	45,070	39,939
Unquoted equity participations	85,181	88,048	-
	129,747	133,118	39,939
	540,383	539,053	500,140

- a) The quoted shares classified as current as of reporting date includes an amount of KD43,388 thousand (31 December 2016: KD43,562 thousand and 31 March 2016: KD39,939 thousand) which is the remaining investments from those shares which were transferred from investments at fair value through profit or loss as of 1 July 2008.

The unquoted shares and certain quoted shares totalling to KD86,359 thousand (31 December 2016: KD89,556 thousand and 31 March 2016: Nil) have been classified as current based on management's estimate of liquidation of those investments.

- b) At the end of the period, the Group recognised a total impairment loss of KD1,785 thousand (31 March 2016: KD411 thousand) for certain quoted and unquoted shares and foreign funds.
- c) Investments with a fair value of KD172,649 thousand (31 December 2016: KD166,700 thousand and 31 March 2016: KD180,465 thousand) are secured against borrowings.

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

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

9 Investments at fair value through profit or loss

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Held for trading :			
Quoted shares	25,361	23,698	23,260
Designated on initial recognition :			
Local funds	5,862	6,600	8,193
International managed portfolios and funds	45,945	46,484	47,968
	51,807	53,084	56,161
	77,168	76,782	79,421

Quoted shares, held by local subsidiaries, with a fair value of KD3,353 thousand (31 December 2016: KD3,093 thousand and 31 March 2016: KD3,236 thousand) are secured against borrowings.

10 Share capital, share premium and dividend distributions

Share capital and share premium

- a) As of 31 March 2017, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2016: 1,359,853,075 shares and 31 March 2016: 1,359,853,075 shares).
- b) Share premium is not available for distribution.

Dividend distribution

- c) Subject to the requisite consent of the relevant authorities and approval from the forthcoming general assembly, the Parent Company's Board of Directors do not propose a cash dividend for the year ended 2016 (2015: 10% equivalent to 10 Fils per share).

Notes to the interim condensed consolidated financial information (continued)

11 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2017	11,167	1,694	18,452	213	31,526
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(689)	(689)
Balances at 31 March 2017	11,167	1,694	18,452	(476)	30,837
Balances at 1 January 2016	11,167	1,694	18,452	(2,486)	28,827
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(476)	(476)
Balances at 31 March 2016	11,167	1,694	18,452	(2,962)	28,351

12 Long term and short term borrowings and Bonds

During 2011 and 2012, one of the local subsidiaries of the Group restructured its financing arrangements with some local banks and accordingly loans amounting to KD154,710 thousand (out of which KD58,016 thousand has been paid till reporting date) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 31 March 2017, 31 December 2016 and 31 March 2016, these are partly secured (investment properties, refer notes 8 and 9) and the identification and securitization of the required balance is still in process.

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

The process of rescheduling the loans amounting to KD96,694 thousand as of the reporting date comprising of the remaining 50% (KD19,339 thousand of the third instalment and KD77,355 thousand for the final instalment) is ongoing. However, based on the previous agreements, the final instalment of one loan (along with the 50% of the third instalment) totalling to KD6,876 thousand fell due during December 2016. The final instalments of the other loans (along with 50% of the third instalment) totalling to KD39,059 thousand and KD50,759 are falling due in the year 2017 and 2018 respectively.

The local subsidiary had submitted a debt rescheduling plan to all its lenders and had, also requested from all of the lenders to extend the standstill as the restructuring is still in process and to continue negotiations to reach an acceptable debt rescheduling solution. During the period ended 31 March 2017 and subsequent to the reporting date, the lenders have confirmed that they will continue to negotiate the terms and conditions of the restructuring to bring it to a successful closure. Accordingly, the local subsidiary's management expects to finalize the debt rescheduling within the next few months.

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

Notes to the interim condensed consolidated financial information (continued)

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

13.1 Murabaha, wakala and sukuk investments

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Due from a local Islamic investment company/ due from related parties	14,324	14,324	14,324
Provision for impairment in value	(14,324)	(14,324)	(14,324)
	-	-	-
Placed with local Islamic banks	1,170	1,164	1,005
	1,170	1,164	1,005

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

Wakala investments of KD14,324 thousand (31 December 2016: KD14,324 thousand and 31 March 2016: KD14,324 thousand) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd and 4th instalments due in June 2014, 2015 and 2016 respectively. The Group has initiated various legal cases against the investing company to recover these amounts. Full provision is made for receivable in accordance with the Central Bank of Kuwait provisioning rules.

During previous years, one of the local subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD9,968 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the above investment company as part of total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group initiated legal proceedings against the above parties to recover the amount including profits thereon. During the year 2014, the Court of Appeal had ordered the related parties to pay KD8,285 thousand with 7% profit thereon to the Group which was overturned by the Court of Cassation in favour of the related party during the year 2015. The Group also initiated legal proceedings relating to the remaining amount of KD1,683 thousand against the related parties. During the period ended 31 March 2017, the court of first instance has ordered the related parties to pay KD1,683 thousand to the Group and the related party has appealed against the court decision.

13.2 Cash and cash equivalents

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Short-term deposits and investments	11,326	9,224	20,936
Bank balances and cash	43,506	33,696	28,100
Due to banks	(25,718)	(21,186)	(21,363)
	29,114	21,734	27,673
Less: Blocked balances	(327)	(325)	(325)
Short term deposits maturing after 3 months	(2,525)	-	-
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	26,262	21,409	27,348

Notes to the interim condensed consolidated financial information (continued)

14 Segmental analysis

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

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	31 March 2017 KD '000	31 March 2016 KD '000	31 March 2017 KD '000	31 March 2016 KD '000	31 March 2017 KD '000	31 March 2016 KD '000	31 March 2017 KD '000	31 March 2016 KD '000	31 March 2017 KD '000	31 March 2016 KD '000
Three months ended										
Segment revenue	15,724	8,774	10,895	11,481	11,981	14,475	4,891	4,125	43,491	38,855
Less:										
Income from investments							(9,465)	(1,769)	(9,465)	(1,769)
Share of result of associates							(5,400)	(5,974)	(5,400)	(5,974)
Loss on partial disposal of associate							48	-	48	-
Rental income							(433)	(601)	(433)	(601)
Interest and other income							(474)	(430)	(474)	(430)
Sales, per interim condensed consolidated statement of profit or loss							27,767	30,081	27,767	30,081
Segment profit/(loss)	10,990	5,649	701	821	(485)	205	193	207	11,398	6,882
Less:										
Finance costs							(7,590)	(6,838)	(7,590)	(6,838)
Other unallocated income							502	419	502	419
Profit before foreign taxation							4,310	463	4,310	463
Segment assets	1,116,895	1,070,848	60,996	60,236	77,398	77,837	20,335	17,526	1,275,624	1,226,447
Segment liabilities	(13,417)	(16,714)	(21,594)	(20,717)	(17,266)	(16,644)	(8,104)	(8,376)	(60,381)	(62,451)
Segment net assets	1,103,478	1,054,134	39,402	39,519	60,132	61,193	12,231	9,150	1,215,243	1,163,996
Borrowings and due to banks							(711,568)	(684,339)	(711,568)	(684,339)
Total equity per interim condensed consolidated statement of financial position							503,675	479,657	503,675	479,657

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions

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

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

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Balances included in interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	4,622	2,029	1,870
- Due from other related parties	3,075	2,938	3,281
- Due from key management personnel	70	70	231
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	20	20	238
- Due to other related parties	75	522	491
		Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Transactions with related parties			
Development and construction costs		1,612	-
Purchase of raw materials – from associates		739	951
Compensation of key management personnel of the Group			
Short term employee benefits		1,003	941
End of service benefits		43	149
		1,046	1,090

16 Financial instruments

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

Except for certain available for sale investments which are carried at cost (KD22,907 thousand), the carrying amounts of other financial assets and liabilities as at 31 March 2017, approximate their fair values.

Notes to the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

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

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

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

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

At 31 March 2017

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	31,316	31,316
Other managed portfolio	-	2,852	77,967	80,819
-Unquoted equity participations	-	12,819	157,407	170,226
-Quoted shares and debt securities	209,673	1,007	24,435	235,115
Investment at fair value through profit or loss				
-Quoted shares	25,361	-	-	25,361
-Local funds	-	5,862	-	5,862
-International managed portfolios and funds	3,439	33,951	8,555	45,945
Total assets	238,473	56,491	299,680	594,644

At 31 December 2016

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

Notes to the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

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

At 31 March 2016

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	26,647	26,647
Other managed portfolio	-	4,724	73,935	78,659
-Unquoted equity participations	-	14,268	154,226	168,494
-Quoted shares	191,839	933	12,736	205,508
Investment at fair value through profit or loss				
-Quoted shares	23,260	-	-	23,260
-Local funds	-	8,193	-	8,193
-International managed portfolios and funds	5,385	31,865	10,719	47,969
Total assets	220,484	59,983	278,263	558,730

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 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Opening balance	297,135	286,587	286,587
Net change in fair value recognised in other comprehensive income	(532)	(2,880)	(8,713)
Impairment recognised in profit or loss	(798)	(13,214)	-
Net change in fair value recognised in profit or loss	150	752	(112)
Net additions during the period/year	3,725	(3,328)	501
Reclassification	-	29,218	-
Closing balance	299,680	297,135	278,263

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

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting year/period.

17 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 31 March 2017 amounted to KD5,281 thousand (31 December 2016: KD5,465 thousand and 31 March 2016: KD2,878 thousand) of which assets managed on behalf of related parties amounted to KD2,904 thousand (31 December 2016: KD3,175 thousand and 31 March 2016: KD1,003 thousand).

Notes to the interim condensed consolidated financial information (continued)

18 Contingent liabilities

As at 31 March 2017, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD16,416 thousand (31 December 2016: KD19,550 thousand and 31 March 2016: KD21,994 thousand) other contingencies with regard to pending litigations and tax claims amounting to KD251 thousand (31 December 2016: KD251 thousand and 31 March 2016: KD Nil)

19 Capital commitments

At the reporting date the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties totalling to KD50,048 thousand (31 December 2016: KD53,467 thousand and 31 March 2016: KD38,067 thousand).

20 Comparative information

Certain comparative figures has been reclassified to conform to the presentation in the current period, and such reclassification does not affect previously reported net assets, net equity and net results for the period or net increase in cash and cash equivalents.