

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

30 June 2015 (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 financial position of National Industries Group Holding (Kuwaiti Public Shareholding Company) (the "Parent Company") and its Subsidiaries (collectively the "Group") as of 30 June 2015 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 and its Executive Regulations or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 2015 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
10 August 2015

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Six months ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		(Unaudited) KD '000	(Unaudited) KD '000	(Unaudited) KD '000	(Unaudited) KD '000
Sales		37,417	31,446	71,547	63,821
Cost of sales		(28,708)	(24,722)	(54,652)	(49,769)
Gross profit		8,709	6,724	16,895	14,052
Income from investments	4	8,730	13,607	19,150	26,594
Share of results of associates	8	6,331	5,494	12,744	8,338
Profit on disposal of associate		-	333	-	333
Realised gain on disposal of investment properties		-	323	-	563
Rental income		485	374	848	757
Interest and other income		595	442	965	1,027
Distribution costs		(1,799)	(1,161)	(3,468)	(2,474)
General, administrative and other expenses		(5,787)	(6,845)	(11,820)	(12,543)
Loss on foreign currency exchange		(1,148)	(355)	(3,651)	(361)
		16,116	18,936	31,663	36,286
Finance costs		(7,598)	(7,505)	(14,757)	(15,172)
Impairment in value of available for sale investments	9	(1,198)	(5,413)	(2,031)	(5,900)
Impairment in value of investment in associates	8	(44)	-	(44)	(111)
Impairment in value of accounts receivables and other assets		(6)	-	(6)	(711)
Profit before taxation and other statutory contributions		7,270	6,018	14,825	14,392
Taxation and other statutory contributions	5	(620)	(545)	(940)	(866)
Profit for the period		6,650	5,473	13,885	13,526
Attributable to :					
Owners of the parent company		3,459	2,960	9,375	8,004
Non-controlling interests		3,191	2,513	4,510	5,522
		6,650	5,473	13,885	13,526
Basic and diluted earnings per share attributable to the owners of the parent company	6	2.6 Fils	2.2 Fils	7.1 Fils	6.0 Fils

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

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

	Three months ended		Six months ended	
	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000
Profit for the period	6,650	5,473	13,885	13,526
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising on translation of foreign operations	(650)	147	786	3,663
Available for sale investments:				
- Net changes in fair value arising during the period	(2,388)	(16,645)	(6,117)	(4,051)
- Transferred to interim condensed consolidated statement of profit or loss on disposals	(1,395)	(3,003)	(3,415)	(6,675)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	1,198	5,413	2,031	5,900
Share of other comprehensive income of associates				
- Change in fair value	147	3,381	(4,712)	4,627
<i>Total other comprehensive income to be reclassified to profit or loss in subsequent period:</i>	(3,088)	(10,707)	(11,427)	3,464
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Defined benefit plan actuarial (losses)/gains	(38)	194	175	277
<i>Total other comprehensive income not being reclassified to profit or loss in subsequent periods:</i>	(38)	194	175	277
Total other comprehensive income for the period	(3,126)	(10,513)	(11,252)	3,741
Total comprehensive income for the period	3,524	(5,040)	2,633	17,267
Total comprehensive income attributable to:				
Owners of the parent company	1,012	(4,446)	(111)	11,511
Non-controlling interests	2,512	(594)	2,744	5,756
	3,524	(5,040)	2,633	17,267

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

Interim condensed consolidated statement of financial position

	Note	30 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (Unaudited) KD '000
Assets				
Non-current assets				
Goodwill and intangible assets	7	17,507	17,530	9,370
Property, plant and equipment		71,103	70,647	69,001
Investment in associates	8	334,718	330,968	303,907
Investment properties		65,287	61,425	54,398
Available for sale investments	9	615,711	616,919	671,538
Accounts receivable		2,314	2,102	2,171
Total non-current assets		1,106,640	1,099,591	1,110,385
Current assets				
Inventories		35,047	32,023	31,064
Available for sale investments	9	55,946	63,352	72,092
Accounts receivable and other assets		51,719	70,609	54,102
Murabaha and wakala investments	14	3,004	598	594
Investments at fair value through profit or loss	10	82,332	59,706	65,721
Short-term deposits	14	19,700	6,715	3,465
Bank balances and cash	14	28,568	53,354	36,907
Total current assets		276,316	286,357	263,945
Total assets		1,382,956	1,385,948	1,374,330
Equity and liabilities				
Equity attributable to owners of the parent company				
Share capital	11	135,985	135,985	135,985
Treasury shares		(30,375)	(30,375)	(30,375)
Share premium	11	122,962	122,962	122,962
Cumulative changes in fair value		150,832	160,785	165,583
Other components of equity	12	27,459	27,167	20,638
Retained earnings		16,792	23,849	12,666
Equity attributable to owners of the parent company		423,655	440,373	427,459
Non-controlling interests		149,300	146,729	145,813
Total equity		572,955	587,102	573,272
Non-current liabilities				
Long-term borrowings	13	366,707	370,254	518,659
Leasing creditors		478	478	474
Provisions		15,035	15,809	13,498
Total non-current liabilities		382,220	386,541	532,631
Current liabilities				
Accounts payable and other liabilities		70,220	55,178	45,290
Short-term borrowings	14	337,436	335,453	203,236
Due to banks		20,125	21,674	19,901
Total current liabilities		427,781	412,305	268,427
Total liabilities		810,001	798,846	801,058
Total equity and liabilities		1,382,956	1,385,948	1,374,330

Sa'ad Mohammed Al-Sa'ad
Chairman



Ahmad Mohammed Hassan
Chief Executive Officer

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

Interim condensed consolidated statement of changes in equity

Equity attributable to the owners of the Parent Company

	Share Capital KD '000	Treasury shares KD '000	Share Premium KD '000	Cumulative changes in fair value KD '000	Other Components of equity (Note 12) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2015	135,985	(30,375)	122,962	160,785	27,167	23,849	440,373	146,729	587,102
Transactions with owners									
Increase in non-controlling interests of a subsidiary during the period (Note 11d)	-	-	-	-	-	(706)	(706)	5,106	4,400
Dividend paid	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,975)	(4,975)
Other changes in non-controlling interests	-	-	-	-	-	-	-	(304)	(304)
Total transactions with owners	-	-	-	-	-	(16,607)	(16,607)	(173)	(16,780)
Comprehensive income									
Profit for the period	-	-	-	-	-	9,375	9,375	4,510	13,885
Other comprehensive income for the period (actuarial gains and others)	-	-	-	(9,953)	292	175	(9,486)	(1,766)	(11,252)
Total comprehensive income for the period	-	-	-	(9,953)	292	9,550	(111)	2,744	2,633
Balance at 30 June 2015	135,985	(30,375)	122,962	150,832	27,459	16,792	423,655	149,300	572,955

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

Interim condensed consolidated statement of changes in equity (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	Components of equity (Note 12) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2014	129,510	(30,375)	122,962	164,439	18,552	10,344	415,432	147,976	563,408
Transactions with owners									
Issue of bonus shares (note 11c)	6,475	-	-	-	-	(6,475)	-	-	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(2,075)	(2,075)
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	516	516	(1,245)	(729)
Amount due to non-controlling interests on reduction of share capital of a subsidiary	-	-	-	-	-	-	-	(3,912)	(3,912)
Net change in non-controlling interests	-	-	-	-	-	-	-	(687)	(687)
Total transactions with owners	6,475	-	-	-	-	(5,959)	516	(7,919)	(7,403)
Comprehensive income									
Profit for the period	-	-	-	-	-	8,004	8,004	5,522	13,526
Other comprehensive income for the period (actuarial gains and others)	-	-	-	1,144	2,086	277	3,507	234	3,741
Total comprehensive income for the period	-	-	-	1,144	2,086	8,281	11,511	5,756	17,267
Balance at 30 June 2014	135,985	(30,375)	122,962	165,583	20,638	12,666	427,459	145,813	573,272

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

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2015 (Unaudited) KD '000	Six months ended 30 June 2014 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before taxation and other statutory contributions	14,825	14,392
Adjustments for :		
Depreciation of property, plant and equipment	3,327	3,319
Realised gain on disposal of investment properties	-	(563)
Share of results of associates	(12,744)	(8,338)
Profit on disposal of associate	-	(333)
Impairment in value of investments in associate	44	111
Dividend income from available for sale investments	(12,025)	(14,183)
Impairment in value of available for sale investments	2,031	5,900
Impairment in value of accounts receivable and other assets	6	711
Profit on sale of available for sale investments	(4,063)	(9,241)
Net provision charged/(released)	(774)	810
Finance costs	14,757	15,172
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(226)	(217)
	5,158	7,540
Changes in operating assets and liabilities:		
Inventories	(3,024)	844
Accounts receivable and other assets	18,672	11,950
Investments at fair value through profit or loss	(22,626)	(522)
Accounts payable and other liabilities	11,978	(1,555)
Cash from operations	10,158	18,257
Taxation paid	(151)	(119)
KFAS, Zakat and NLST paid	(470)	(706)
Net cash from operating activities	9,537	17,432

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

Interim condensed consolidated statement of cash flows (continued)

	Note	Six months ended 30 June 2015 (Unaudited) KD '000	Six months ended 30 June 2014 (Unaudited) KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,783)	(1,596)
Purchase of investment properties		(3,862)	(9,054)
Proceeds from disposal of associate		-	1,107
Addition to investment in associates		(3,197)	(1,356)
Dividend received from associates		8,321	7,349
Purchase of available for sale investments		(8,851)	(17,319)
Proceeds from sale of available for sale investments		11,996	20,025
Proceeds from sale of investment properties		-	5,162
(Increase)/ decrease in wakala investments maturing after three months		(2,406)	3,906
Increase of short term deposit maturing after three months		(1,059)	-
(Increase)/decrease in block balances		1,370	(1,162)
Dividend income received from available for sale investments		12,025	14,183
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments		49	254
Net cash from investing activities		10,603	21,499
FINANCING ACTIVITIES			
Finance lease receipts/(payments)		(182)	401
Net increase/(decrease) in long-term borrowings		16,453	9,027
Net (decrease)/increase in short-term borrowings		(18,017)	(17,139)
Dividend paid to owners of the parent		(13,667)	(68)
Finance costs paid		(14,033)	(15,161)
Decrease in non-controlling interests		(879)	(7,919)
Net cash used in financing activities		(30,325)	(30,859)
Net (decrease)/increase in cash and cash equivalents		(10,185)	8,072
Translation difference		244	(3)
		(9,941)	8,069
Cash and cash equivalents at beginning of the period		35,558	9,816
Cash and cash equivalents at end of the period	14	25,617	17,885

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

Notes of 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 10 August 2015.

The annual consolidated financial statement for the year ended 31 December 2014 were authorised for issuance by the Parent Company’s board of directors on 29 March 2015 and approved by the shareholders at the Annual General Meeting held on 20 May 2015.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2015 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 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 of 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 2014.

Operating results for the six-months period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2014.

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 2014. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although there are certain new standards and amendments which apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statement of the Group or the interim condensed consolidated financial information of the Group.

4 Income from investments

	Three months ended		Six months ended	
	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000
Dividend income:				
- From investments at fair value through profit or loss	732	156	880	263
- From available for sale investments	6,123	8,768	12,025	14,183
Profit on sale of available for sale investments	1,546	5,072	4,063	9,241
Realised gain on investments at fair value through profit or loss	164	225	491	347
Unrealised gain/(loss) on investments at fair value through profit or loss	165	(614)	1,691	2,560
	8,730	13,607	19,150	26,594

5 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Three months ended		Six months ended	
	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000
Current tax expense				
Current period charge	(184)	(197)	(255)	(150)
Total	(184)	(197)	(255)	(150)

Notes of the interim condensed consolidated financial information (continued)

5 Taxation and other statutory contributions (continued)

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

	Three months ended		Six months ended	
	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	30 June 2014 (Unaudited) KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(74)	(77)	(110)	(151)
Provision for National Labour Support Tax (NLST)	(161)	(203)	(255)	(400)
Provision for Zakat	(63)	(68)	(104)	(165)
	(298)	(348)	(469)	(716)
(c) Other taxation – local subsidiary ***	(138)	-	(216)	-
	(620)	(545)	(940)	(866)

*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 (2014: Nil) as the net taxable results attributable to the Parent Company was a loss.

*** The above represents the provision for a potential tax liability of a local subsidiary related to dividend income received from investments in a GCC country.

6 Basic and diluted earnings per share attributable to the owners of the Parent Company

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		Six months ended	
	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Profit for the year attributable to the owners of the Parent Company (KD '000)	3,459	2,960	9,375	8,004
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	1,325,056,996	1,325,056,996	1,325,056,996	1,325,056,996
Basic and diluted earnings per share	2.6 Fils	2.2 Fils	7.1 Fils	6.0 Fils

Notes of the interim condensed consolidated financial information (continued)

7 Goodwill and intangible asset

This includes an intangible asset in the form of an indefeasible right of use (IRU) to a telecommunication asset carried at KD8,131 thousand (31 December 2014: KD8,285 thousand and 30 June 2014: KD Nil) arising from a local subsidiary. The subsidiary is currently renegotiating the financial and other terms of its use and, accordingly, its' carrying value and that of the related liability of KD3,600 thousand (31 December 2014: KD3,504 thousand and 30 June 2014: KD Nil) are subject to any change that may arise when it is finalized.

8 Investment in associates

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

	30 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (Unaudited) KD '000
Balance at 1 January	330,968	294,406	294,406
Additions during the period/year	3,197	2,490	1,356
Share of results	12,744	41,720	8,338
Share of other comprehensive income	(4,712)	2,472	4,627
Dividend received	(8,321)	(9,122)	(7,349)
Disposal of associates	-	(3,284)	(774)
Impairment in value	(44)	(2,171)	(111)
Foreign currency translation adjustment	886	4,457	3,202
Other adjustments	-	-	212
Balance at the end of the period/year	334,718	330,968	303,907

A major portion of an associate with a carrying value of KD115,505 thousand (31 December 2014: KD113,514 thousand and 30 June 2014: KD91,254 thousand) have been subject to an exchangeable option to the lenders of the Group.

9 Available for sale investments

	30 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (Unaudited) KD '000
Non Current			
Managed funds	129,118	123,335	162,075
Unquoted equity participations	201,739	200,156	176,365
Quoted shares	284,854	293,428	333,098
	615,711	616,919	671,538
Current			
Quoted shares	55,946	63,352	72,092
	671,657	680,271	743,630

- a) The quoted shares classified as current represent the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008.

Notes of the interim condensed consolidated financial information (continued)

9 Available for sale investments (continued)

- b) At the end of the period, the Group recognised a total impairment loss of KD2,031 thousand (30 June 2014 : KD5,900 thousand) for certain quoted and unquoted shares.
- c) Investments with a fair value of KD209,003 thousand (31 December 2014: KD200,309 thousand and 30 June 2014 : KD187,188 thousand) are secured against term borrowings.
- d) During June 2015, one of the local subsidiaries entered into an agreement with a foreign party to dispose foreign unquoted shares with a carrying value of KD27,624 thousand. However, the agreement is subject to preconditions which have not been met yet. As per the agreement the total expected net consideration amounted to approximately KD29,850 thousand (subject to tax changes). Consequently, the subsidiary received an advance payment of KD7,518 thousand from the total selling price which has been classified under “other liabilities” at the end of the current quarter. The management of the local subsidiary expects to finalise the sale, including the transfer of shares, during the 3rd quarter and the expected gain which approximates KD 2.2 million from the sale transaction is expected to be recorded during the third quarter.

10 Investments at fair value through profit or loss

	30 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (Unaudited) KD '000
Held for trading :			
Quoted shares	26,227	32,969	38,561
Designated on initial recognition :			
Local funds	7,831	7,936	9,052
International managed portfolios and funds	48,274	18,801	18,108
	56,105	26,737	27,160
	82,332	59,706	65,721

Quoted shares, held by local subsidiaries, with a fair value of KD3,484 thousand (31 December 2014: KD9,840 thousand and 30 June 2014: KD11,960 thousand) are secured against borrowings.

11 Share capital, share premium, dividend distributions and non controlling interest

Share capital, and share premium

- a) As of 30 June 2015, 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 2014: 1,359,853,075 shares and 30 June 2014 : 1,359,853,075 shares).
- b) Share premium is not available for distribution.

Notes of the interim condensed consolidated financial information (continued)

11 Share capital, share premium, dividend distributions and non controlling interest (continued)

Dividend distribution

- c) At the Annual General Meeting held on 20 May 2015, the shareholders approved a cash dividend of 12% (2013: Nil) equivalent to 12 Fils per share and bonus share of Nil for the year ended 31 December 2014. At the Annual General Meeting held on 28 May 2014, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 64,754,908 shares of 100 Fils each amounting to KD6,475 thousand.

Non controlling interests

- d) During the current period one of the subsidiaries of the Group increased its share capital from KD11,000 thousand to KD15,000 thousand (40,000 thousand shares with a par value of 100 fils and premium of 10 fils per each share). The Group did not subscribe for this increase and consequently the Group's shareholding in this subsidiary diluted from 100% to 73.32%. The proportionate carrying value of net assets on the date of dilution amounting to KD5,106 thousand of non-controlling interests has been transferred to non-controlling interest in the interim condensed consolidated statement of changes in equity. Consequently the difference between cash proceeds received and non controlling interests share of net assets on the date of dilution amounting to KD706 thousand has been recognized as a dilution loss in the interim condensed consolidated statement of changes in equity as of 30 June 2015.

12 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 2015	8,542	1,694	18,452	(1,521)	27,167
Other comprehensive income:					
Currency translation differences	-	-	-	292	292
Balances at 30 June 2015	8,542	1,694	18,452	(1,229)	27,459
Balances at 1 January 2014	2,603	1,892	18,452	(4,395)	18,552
Other comprehensive income:					
Currency translation differences	-	-	-	2,086	2,086
Balances at 30 June 2014	2,603	1,892	18,452	(2,309)	20,638

13 Long term and short term borrowings

- a) During 2011 and 2012, a local subsidiary of the Group restructured its financing arrangements with some local banks and accordingly loans amounting to KD106,845 thousand (net of repayment of KD51,704 thousand) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 30 June 2015, these are partly secured and the process of identification and securitization of the required balance is in progress.

Notes of the interim condensed consolidated financial information (continued)

13 Long term and short term borrowings (continued)

The local subsidiary is currently in the process of rescheduling the original repayment plan of its loans amounting to KD106,845 thousand including an amount of KD29,490 thousand which was due within one year and KD77,355 thousand due after one year. Loan instalments totalling to KD29,374 thousand (including an amount of KD9,187 thousand which has been paid during December 2014 and during 2015) from three lending bankers fell due and the lenders have agreed to rollover the balance and continue discussions with the subsidiary to reschedule the dues.

- b) Short term borrowings include KD101,463 thousand (31 December 2014: KD101,563 thousand and 30 June 2014: KD101,657 thousand) of an Islamic syndicated loan and KD25,000 thousand (31 December 2014: KD25,000 thousand and 30 June 2014: KD 25,000 thousand) of a conventional loan due in August 2015.

Subsequent to the reporting date, the parent company has rescheduled the conventional loan amounting to KD 25,000 thousand with the same local bank and it is now due in 2 years. The Islamic syndicated loan amounting to KD 101,463 thousand will be settled from the proceeds obtained through two new facilities entered into subsequent to the reporting date, one of which is a Murabaha facility comprising of local and regional banks for an amount of KD80,000 thousand due in 3 years and the other is a conventional loan facility with a new foreign bank for an amount of KD20,000 thousand due in one year. Under the terms of the new facility agreements, shares of one of the listed associates having a carrying value of KD125,000 thousand are kept in a custody portfolio account with specialised institutions.

14 Murabaha and wakala investments and cash and cash equivalents

14.1 Murabaha and wakala investments

	30 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (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 bank	3,004	598	594
	3,004	598	594

No profit was recognised on impaired wakala investments during the current period (31 December 2014 and 30 June 2014 : Nil).

Wakala investment of KD14,324 thousand (31 December 2014: KD14,324 thousand and 30 June 2014 : KD14,324 thousand) placed with a local Islamic investment company matured in 2008. The investee company defaulted on settlement of these balances on the maturity date.

Notes of the interim condensed consolidated financial information (continued)

14 Murabaha and wakala investments and cash and cash equivalents (continued)

14.1 Murabaha and wakala investments (continued)

During previous years, one of the local subsidiary's 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 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 related 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% profits thereon to the Group which has now been overturned by the Court of Cassation in favour of the related party during the current period. The legal proceedings relating to the remaining amount is still in process.

14.2 Cash and cash equivalents

	30 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (Unaudited) KD '000
Short-term deposits	19,700	6,715	3,465
Bank balances and cash	28,568	53,354	36,907
Due to banks	(20,125)	(21,674)	(19,901)
	28,143	38,395	20,471
Less: Blocked balances	(1,467)	(2,837)	(2,586)
Short term deposits maturing after 3 months	(1,059)	-	-
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flow	25,617	35,558	17,885

Notes to the interim condensed consolidated financial information (continued)

15 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total
	30 June 2015 KD '000	30 June 2014 KD '000	30 June 2015 KD '000	30 June 2014 KD '000	30 June 2015 KD '000	30 June 2014 KD '000	30 June 2015 KD '000	30 June 2014 KD '000	
Six months ended									
Segment revenue	33,707	37,612	24,242	24,581	39,284	33,041	8,021	6,199	105,254
									101,433
Less:									
Income from investments							(19,150)		(26,594)
Share of result of associates							(12,744)		(8,338)
Profit on disposal of associate							-		(333)
Realised gain on disposal of investment properties							-		(563)
Rental income							(848)		(757)
Interest and other income							(965)		(1,027)
Sales, per interim condensed consolidated statement of profit or loss							71,547		63,821
Segment profit/(loss)	25,431	24,075	4,789	4,102	3,608	2,175	(595)	(427)	33,233
									29,925
Less:									
Finance costs							(14,757)		(15,172)
Other unallocated loss							(3,651)		(361)
Profit before taxation and other statutory contributions, per interim condensed consolidated statement of profit or loss							14,825		14,392
Segment assets	1,217,160	1,230,816	54,481	54,338	86,401	74,367	24,914	14,809	1,382,956
Segment liabilities	(32,229)	(12,618)	(19,723)	(17,233)	(22,820)	(20,811)	(10,961)	(8,600)	(85,733)
Segment net assets	1,184,931	1,218,198	34,758	37,105	63,581	53,556	13,953	6,209	1,297,223
Borrowings and due to banks									1,315,068
Total equity per interim condensed consolidated statement of financial position							(724,268)		(741,796)
							572,955		573,272

Notes of the interim condensed consolidated financial information (continued)

16 Related party transactions

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

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

	30 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (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	200	1,724	1,784
- Due from other related parties	141	955	1,144
- Due from key management personnel	233	233	233
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	826	1,419	789
- Due to other related parties	2,569	2,456	2,479
Current portion of long term borrowings – murabaha payable to an associate (included in short term borrowings as of 30 June 2015)	15,024	15,040	15,054

17 Financial instruments

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

Except for certain available for sale investments which are carried at cost (KD58,050 thousand), the carrying amounts of other financial assets and liabilities as at 30 June 2015, approximate their fair values.

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets and liabilities 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 asset or liability 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 statement of financial position are Grouped into the fair value hierarchy as follows;

At 30 June 2015

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	32,545	32,545
Other managed portfolio	-	8,864	82,884	91,748
-Unquoted equity participations	-	-	148,514	148,514
-Quoted shares	340,800	-	-	340,800
Investment at fair value through profit or loss				
-Quoted shares	26,227	-	-	26,227
-Local funds	-	7,831	-	7,831
-International managed portfolios and funds	4,730	32,622	10,922	48,274
Total assets	371,757	49,317	274,865	695,939

At 31 December 2014

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	30,559	30,559
Other managed funds	-	10,528	77,423	87,951
-Unquoted equity participations	-	-	147,461	147,461
-Quoted shares	356,780	-	-	356,780
Investment at fair value through profit or loss				
-Quoted shares	32,969	-	-	32,969
-Local funds	-	7,936	-	7,936
-International managed portfolios and funds	-	-	18,801	18,801
Total assets	389,749	18,464	274,244	682,457

Notes of the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

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

At 30 June 2014

	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	-	-	52,638	52,638
Other managed portfolio	-	9,537	91,858	101,395
-Unquoted equity participations	-	-	125,123	125,123
-Quoted shares	405,190	-	-	405,190
Investment at fair value through profit or loss				
-Quoted shares	38,561	-	-	38,561
-Local funds	-	9,052	-	9,052
-International managed portfolios and funds	-	-	18,108	18,108
Total assets	443,751	18,589	287,727	750,067

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 June 2015 (Unaudited) KD '000	31 Dec. 2014 (Audited) KD '000	30 June 2014 (Unaudited) KD '000
Opening balance	274,244	279,517	279,517
Net change in fair value recognised in other comprehensive income	6,423	39,156	4,496
Impairment recognised in profit or loss	(217)	(8,560)	(420)
Net change in fair value recognised in profit or loss	223	(1,202)	650
Net addition/(disposals) during the period/year	(5,808)	(34,667)	3,484
Closing balance	274,865	274,244	287,727

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 value, are unchanged compared to the previous reporting year/period.

18 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 June 2015 amounted to KD7,588 thousand (31 December 2014: KD6,906 thousand and 30 June 2014: KD7,004 thousand) of which assets managed on behalf of related parties amounted to KD5,077 thousand (31 December 2014: KD5,085 thousand and 30 June 2014 : KD4,493 thousand).

Notes of the interim condensed consolidated financial information (continued)

19 Contingent liabilities

During the period 30 June 2015, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD22,140 thousand (31 December 2014: KD30,589 thousand and 30 June 2014: KD Nil thousand)

20 Capital commitments

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling to KD37,939 thousand (31 December 2014: KD24,510 thousand and 30 June 2014: KD26,296 thousand).

21 Comparative information

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