Consolidated financial statements and independent auditors' report

National Industries Company – KPSC and Subsidiaries

Kuwait

31 December 2015

Contents

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Independent auditors' report

To the shareholders of
National Industries Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Company – Kuwaiti Public Shareholding Company and its Subsidiaries, ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of National Industries Company – KPSC and its Subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and the executive regulation of Law No. 25 of 2012, and by the Parent Company's memorandum of incorporation and articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the executive regulations, or of the Parent Company's memorandum of incorporation and articles of association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Parker Randall (Allied Accountants)

Kuwait
3 March 2016

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue			
Revenue from sales and services	8	48,215,733	47,644,172
Cost of sales and services		(35,057,001)	(34,674,677)
Gross profit		13,158,732	12,969,495
Other operating income		230,238	210,588
Share of results of associates	12	(53,394)	258,261
Investment income	9	1,353,635	664,267
Foreign exchange gain		155,476	88,113
		14,844,687	14,190,724
Expenses and other changes			
Distribution expenses		(2,296,774)	(1,868,533)
General, administrative and other expenses		(3,311,655)	(2,989,243)
Finance costs		(4,530)	(119,118)
Provision for doubtful debts	16	-	(2,413)
Impairment of available for sale investments	13	(715,321)	(1,376,018)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		8,516,407	7,835,399
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(73,781)	(65,778)
Provision for National Labour Support Tax (NLST)		(192,945)	(188,357)
Provision for Zakat		(75,414)	(71,468)
Provision for Directors' remuneration		(150,000)	(150,000)
Profit for the year		8,024,267	7,359,796
Attributable to :			
Owners of the parent company		7,787,570	7,359,730
Non-controlling interests		236,697	66
Profit for the year		8,024,267	7,359,796
Basic earnings per share attributable to the owners of the parent company	10	22.40 Fils	21.23 Fils
Diluted earnings per share attributable to the owners of the parent company	10	22.30 Fils	21.14 Fils

The notes set out on pages 10 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Profit for the year	**8,024,267**	7,359,796
Other comprehensive income:		
Items that will be reclassified subsequently to the statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	**(2,498,922)**	17,470
- Transferred to consolidated statement of profit or loss on impairment	**715,321**	1,376,018
- Transferred to consolidated statement of profit or loss on sale	**(261,408)**	-
Exchange differences from translation of foreign operations	**188,518**	132,966
Share of other comprehensive income of associates	**13,270**	2,308
Total other comprehensive (loss)/income	**(1,843,221)**	1,528,762
Total comprehensive income for the year	**6,181,046**	8,888,558
Total comprehensive income attributable to:		
Owners of the parent company	**5,876,983**	8,824,300
Non-controlling interests	**304,063**	64,258
	6,181,046	8,888,558

The notes set out on pages 10 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Non-current assets			
Property, plant and equipment	11	**27,068,220**	27,933,591
Investment in associates	12	**5,185,237**	3,062,174
Available for sale investments	13	**36,952,921**	38,064,959
		69,206,378	69,060,724
Current assets			
Inventories and spare parts	14	**18,675,127**	16,380,813
Investments at fair value through profit or loss	15	**1,961,526**	2,389,376
Accounts receivable and other assets	16	**12,898,091**	10,970,349
Fixed deposits	23	**7,225,000**	3,725,000
Cash and bank balances		**3,796,195**	8,422,117
		44,555,939	41,887,655
Total assets		**113,762,317**	110,948,379
Equity and liabilities			
Equity			
Share capital	17	**34,793,545**	34,675,783
Share premium	17	**32,202,714**	32,020,653
Treasury shares	18	**(34,236)**	(6,440)
Legal reserve	19	**4,653,899**	3,825,928
Voluntary reserve	19	**2,743,107**	2,243,107
Staff bonus shares reserve		**250,002**	296,482
Other components of equity	20	**8,077,222**	9,987,809
Retained earnings		**7,127,404**	6,301,688
Total equity attributable to the owners of the parent company		**89,813,657**	89,345,010
Non-controlling interests		**5,626,544**	2,853,111
Total equity		**95,440,201**	92,198,121
Liabilities			
Non-current liabilities			
Provision for land-fill expenses		**741,570**	724,148
Provision for employees' end of service benefits		**4,900,778**	4,727,152
		5,642,348	5,451,300
Current liabilities			
Murabaha payable	21	**635,973**	629,380
Term loan		**-**	102,446
Accounts payable and other liabilities	22	**12,043,795**	12,567,132
		12,679,768	13,298,958
Total liabilities		**18,322,116**	18,750,258
Total equity and liabilities		**113,762,317**	110,948,379

Abdul Aziz Ibrahim Al-Rabia
Chairman

Dr. Adel Khaled Al Sbaeh
Vice-chairman and Chief Executive Officer

The notes set out on pages 10 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Staff bonus shares reserve KD	Other components of equity (note 20) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2015	34,675,783	32,020,653	(6,440)	3,825,928	2,243,107	296,482	9,987,809	6,301,688	89,345,010	2,853,111	92,198,121
Dividend paid (note 25)	-	-	-	-	-	-	-	(5,216,650)	(5,216,650)	-	(5,216,650)
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	-	2,052,250	2,052,250
Effect of change in ownership percentage of subsidiary (note 7)	-	-	-	-	-	-	-	(417,120)	(417,120)	417,120	-
Purchase of treasury shares	-	-	(28,119)	-	-	-	-	-	(28,119)	-	(28,119)
Sale of treasury shares	-	-	323	-	-	-	-	(113)	210	-	210
Cost of share based payments (note 17)	-	-	-	-	-	253,343	-	-	253,343	-	253,343
Issue of staff bonus shares (note 17)	117,762	182,061	-	-	-	(299,823)	-	-	-	-	-
Transactions with owners	117,762	182,061	(27,796)	-	-	(46,480)	-	(5,633,883)	(5,408,336)	2,469,370	(2,938,966)
Profit for the year	-	-	-	-	-	-	-	7,787,570	7,787,570	236,697	8,024,267
Other comprehensive income for the year	-	-	-	-	-	-	(1,910,587)	-	(1,910,587)	67,366	(1,843,221)
Total comprehensive income for the year	-	-	-	-	-	-	(1,910,587)	7,787,570	5,876,983	304,063	6,181,046
Transfer to reserves	-	-	-	827,971	500,000	-	-	(1,327,971)	-	-	-
Balance at 31 December 2015	34,793,545	32,202,714	(34,236)	4,653,899	2,743,107	250,002	8,077,222	7,127,404	89,813,657	5,626,544	95,440,201

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Staff bonus shares reserve KD	Other components of equity (note 20) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2014	34,650,793	31,995,663	(6,440)	3,042,395	1,459,574	163,578	8,523,239	509,024	80,337,826	2,788,853	83,126,679
Cost of share based payments (note 17)	-	-	-	-	-	182,884	-	-	182,884	-	182,884
Issue of staff bonus shares (note 17)	24,990	24,990	-	-	-	(49,980)	-	-	-	-	-
Transactions with owners	24,990	24,990	-	-	-	132,904	-	-	182,884	-	182,884
Profit for the year	-	-	-	-	-	-	-	7,359,730	7,359,730	66	7,359,796
Other comprehensive income for the year	-	-	-	-	-	-	1,464,570	-	1,464,570	64,192	1,528,762
Total comprehensive income for the year	-	-	-	-	-	-	1,464,570	7,359,730	8,824,300	64,258	8,888,558
Transfer to reserves	-	-	-	783,533	783,533	-	-	(1,567,066)	-	-	-
Balance at 31 December 2014	34,675,783	32,020,653	(6,440)	3,825,928	2,243,107	296,482	9,987,809	6,301,688	89,345,010	2,853,111	92,198,121

The notes set out on pages 10 to 52 form an integral part of these consolidated financial statements.

National Industries Company (K.P.S.C) ★ شركة الصناعات الوطنية (ش.م.ك.ع) ★

Consolidated statement of cash flows

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES		
Profit for the year	8,024,267	7,359,796
Adjustments:		
Depreciation of property, plant and equipment	3,242,983	3,545,975
Loss on write off of property, plant and equipment	33,284	30,606
Loss on sale of available for sale investments	(291,182)	-
Share of results of associates	53,394	(258,261)
Impairment of available for sale investments	715,321	1,376,018
Dividend income from available for sale investments	(930,137)	(708,201)
Income from short term murabaha	(234,690)	(167,196)
Cost of share based payment	299,823	182,884
Interest income	(31,976)	(33,515)
Finance costs	4,530	119,118
Foreign exchange loss on non operating assets and liabilities	(211,362)	(138,541)
Provision for doubtful debts	-	2,413
Provision for land-fill expenses	17,422	7,157
Provision for employees' end of service benefit	721,722	674,287
	11,413,399	11,992,540
Changes in operating assets and liabilities:		
Inventories and spare parts	(2,294,314)	735,603
Investments at fair value through profit or loss	427,850	1,565,079
Accounts receivable and other assets	(1,927,742)	466,415
Accounts payable and other liabilities	(408,337)	795,020
Cash from operations	7,210,856	15,554,657
Employees' end of service benefit paid	(548,096)	(383,239)
Net cash from operating activities	6,662,760	15,171,418

The notes set out on pages 10 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,145,717)**	(1,493,862)
Investment in associates – net	**(2,297,650)**	-
Purchase of available for sale investments	**(2,015,714)**	(5,560)
Proceeds on redemption/sale of available for sale investments	**658,604**	5,714
Dividend income received from available for sale investments	**930,137**	708,201
Fixed deposits	**(3,500,000)**	(3,075,000)
Income received from short term murabaha	**234,690**	167,196
Interest income received	**31,976**	33,515
Dividend income from investment associate	**107,571**	-
Net cash used in investing activities	**(7,996,103)**	(3,659,796)
FINANCING ACTIVITIES		
Repayment of murabaha payable	**(638,092)**	(5,426,337)
Proceeds from murabaha payables	**644,685**	1,012,201
Addition by non-controlling interest	**2,052,250**	-
Purchase of treasury shares	**(28,119)**	-
Sales of treasury shares	**323**	-
Repayment of term loans	**(102,446)**	(1,800,000)
Finance costs paid	**(4,530)**	(119,118)
Dividends paid	**(5,216,650)**	(33,674)
Net cash used in financing activities	**(3,292,579)**	(6,366,928)
Net (decrease)/ increase in cash and cash equivalents	**(4,625,922)**	5,144,694
Cash and cash equivalents at beginning of the year	**8,422,117**	3,277,423
Cash and cash equivalents at end of the year	**3,796,195**	8,422,117

شركة الصناعات الوطنية (ش.م.ك.ع) National Industries Company (K.P.S.C)

The notes set out on pages 10 to 52 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Company – KPSC (the parent company) was incorporated on 1 February 1997 as a Kuwaiti Public Shareholding Company and its shares are listed on the Kuwait Stock Exchange. The parent company is a subsidiary of National Industries Group Holding – KPSC (ultimate parent company).

The main objectives of the parent company are as follows:

- Manufacturing and marketing building materials and infrastructure products.
- Practicing all industrial activities, re-manufacturing and related activities and implementing same directly or through a third party to the account of the company or the third party after obtaining the necessary industrial licenses from the competent authorities.
- Implementing studies, researches and development and providing consultations in all kinds of industrial fields.
- Practicing trade of the materials related to the activities of import, export and marketing of products.
- Transportation, clearance, storage and packaging of raw materials and products and acquisition of the necessary means of transportation and storage.
- Quarry works and extraction, trading, formation and manufacturing of sands and rocks and import of the necessary equipment.
- Acquisition and rental of the movables and real estate properties necessary to carry out the company's activity and market its products.
- Establishing companies or participating therein with other parties to carry out the company's activities.
- Investing surplus funds in financial portfolios managed by specialized companies.
- The company may carry out the above activities inside and outside Kuwait.

The group comprises the parent company and its subsidiaries (note 7).

The address of the parent company's registered office is PO Box 3314, Safat 13034, State of Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new executive regulations.

The parent company's board of directors approved these consolidated financial statements for issuance on 3 March 2016. The General Assembly of the parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss and financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

3 Statement of compliance

These consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 19 Defined Benefit Plans: Employee Contributions -Amendments	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment did not have any material impact to the group's consolidated financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) IFRS 2 Share-based payment- This improvement is applied prospectively and clarifies various issues relating to the definitions of performance ad service conditions which are vesting conditions.

*(ii) Amendments to IFRS 3-*Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.

(iii) Amendments to IFRS 13- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iv) Amendments to IFRS 8- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators). A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(v) Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(vi) Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

The amendment did not have any material impact to the group's consolidated financial statements.

Annual Improvements 2011-2013 Cycle

*(i) Amendments to IFRS 1-*the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

Annual Improvements 2011-2013 Cycle (continued)
The same version of each IFRS must be applied to all periods presented.

(ii) Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

iv) Amendments to IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property

The amendment did not have any material impact to the group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative – Amendments	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 July 2016

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the group's receivables and investments in debt-type assets currently classified as loans and receivable and available for sale, unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income.
- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts.
- timing – whether revenue is required to be recognized over time or at a single point in time.
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue.
- time value – when to adjust a contract price for a financing component.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- specific issues, including –
  - o non-cash consideration and asset exchanges
  - o contract costs
  - o rights of return and other customer options
  - o supplier repurchase options
  - o warranties
  - o principal versus agent
  - o licencing
  - o breakage
  - o non-refundable upfront fees, and
  - o consignment and bill-and-hold arrangement.

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Disclosure Initiative - Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments

The Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture have been made to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances.
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *Amendments to* IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

(ii) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in consolidated financial statements.

(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

(iv) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of consolidated financial statements are set out below:

5.1 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

5.2 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately. Goodwill is carried at cost less accumulated impairment losses.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.3 Segment reporting

The group has two operating segments: the building materials, contracting services and investment segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

Revenue arises from the sale of goods and rendering of services and is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.4.1 Sale of goods

Sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

5.4.2 Construction contracts

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in consolidated statement of profit or loss.

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognised for each milestone is determined by estimating relative contract fair values of each contract phase, i.e. by comparing the group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.4 Revenue (continued)

5.4.3 Rendering of services
Rental income is recognised on a straight line basis over the rental contract periods.

5.4.4 Interest and similar income
Interest income and expenses are reported on an accrual basis using the effective interest method.

Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

5.4.5 Dividend income
Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.5 Operating expenses
Operating expenses are recognised upon utilisation of the service or at the date of their origin.

5.6 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.7 Taxation

5.7.1 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.7.2 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies subjected to NLST are deducted from the profit for the year.

5.7.3 Zakat
Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

5.8 Property, plant and equipment
Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.8 Property, plant and equipment (continued)

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following useful lives are applied:

• Buildings:	4 - 20 years
• Plant and equipment:	1 – 10 years
• Motor vehicles	2 – 10 years
• Furniture and equipment:	4 - 10 years.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.9 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Cost of finished goods is calculated using fist-in first-out method. For other items of inventory, cost is calculated using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments

5.11.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either

  (a) the group has transferred substantially all the risks and rewards of the asset or
  (b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

5.11.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss(FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2 Classification and subsequent measurement of financial assets (continued)

- ***Loans and receivables (continued)***

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.
The group categorises loans and receivables into following categories:

- *Trade receivables*

Trade receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- **Financial assets at FVTPL**

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2 Classification and subsequent measurement of financial assets (continued)

- **AFS financial assets (continued)**

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.11.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, trade and other payables.

The subsequent measurement of financial liabilities depends on their classification as follows:

- *Financial liabilities other than at fair value through statement of profit or loss*

These are stated using effective interest rate method. Borrowings, trade payables, and murabaha payable are classified as financial liabilities other than at FVTSI.

- *Trade payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Murabaha payables*

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

5.11.4 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.11.5 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.11.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.7 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

5.12 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Kuwaiti Dinar ("KD")
- Fair value reserve – comprises gains and losses relating to available for sale financial assets
- Treasury shares reserve – comprises gains and losses arising from sale of treasury shares

Retained earnings include all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.13 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.14 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.14 Provisions, contingent assets and contingent liabilities (continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

5.15 Foreign currency translation

5.15.1 Functional and presentation currency

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.15.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.15.3 Foreign operations

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.16 End of service indemnity

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.16 End of service indemnity (continued)

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

5.17 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

5.18 Share based payments

Certain senior management employees are granted share options of parent company as part of their remunerations package.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in staff share bonus reserve in equity, over the period in which vesting conditions are fulfilled (note 27). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of profit or loss or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period and is recognised in employee benefits expenses.

When the terms of an equity-settled award are modified, the minimum expenses recognised is the expenses had the terms had not been modified, if the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employees as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computations of diluted earnings per share.

6 Significant management judgements and estimation uncertainty

The preparation of the group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments (continued)

Classification of financial assets as fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Control assessment

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different

6.2.1 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.2 Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.3 Impairment of trade receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.4 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

6.2.5 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.6 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

7 Subsidiaries

The details of the subsidiaries are as follows:

7.1 Composition of the group

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2015 %	31 Dec. 2014 %	
Building Systems Industries Company – WLL(7.1.1)	Kuwait	98	98	Construction and contracting
National Industries Company for Ceramic - KSCC (7.1.2)	Kuwait	86.427	60	Manufacturing
Saudi Insulation Bricks Company –WLL (7.1.3)	Saudi Arabia	50	50	Manufacturing

7.1.1 The group has consolidated Building Systems Industries Company-WLL using fiscal year ended 30 November 2015 management accounts.

7.1.2 During the year, National Industries Company for Ceramic – KSCC increased its share capital by KD10,000,000. The parent company participated in this increase by KD9,964,000 by way of transfer of KD8,804,000 from amount due from the subsidiary and a cash payment of KD1,160,000 and other shareholders participated by KD36,000 only. Since, some of the shareholders waived their rights to participate in the increase of capital of investee, the percentage ownership of the group increased from 60% to 86.427%. This change in the ownership resulted in a loss of KD417,120 and is recognised in the shareholders' equity.

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.1 Composition of the group (continued)

7.1.3 During the year, Saudi Insulation Bricks Company – WLL (Saudi) increased its share capital by KD4,032,500 (equivalent SAR 50 million). The parent company and other shareholders both participated in this increase by KD2,016,250 each. This amount was settled by way of transfer from amount due from the subsidiary.

7.2 Subsidiaries with material non-controlling interests

The group includes the following subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Saudi Insulation Bricks Company – WLL	50%	50%	17,376	4,033	3,913,560	1,812,570
National Industries Company for Ceramic – KSCC	13.573%	40%	219,321	(3,967)	1,712,984	1,040,541

No dividends were paid to the NCI during the years 2015 and 2014.

a) Saudi Insulation Bricks Company –WLL

Summarised financial information for Saudi Insulation Bricks Company –WLL, before intragroup eliminations is set out below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	7,567,967	7,373,544
Current assets	2,188,259	1,389,517
Total assets	9,756,226	8,763,061
Non-current liabilities	71,066	58,955
Current liabilities	1,858,040	5,078,966
Total liabilities	1,929,106	5,137,921
Equity attributable to the shareholders of the parent company	3,913,560	1,812,570
Non-controlling interests	3,913,560	1,812,570
Total equity	7,827,120	3,625,140

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

a) Saudi Insulation Bricks Company –WLL (continued)

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	4,007,944	3,439,998
Profit for the year attributable to the owners of the parent company	17,376	4,033
Profit for the year attributable to NCI	17,376	4,033
Profit for the year	34,752	8,066
Other comprehensive income for the year attributable to the owners of the parent company	67,362	64,193
Other comprehensive income for the year attributable to NCI	67,366	64,192
Total other comprehensive income for the year	134,728	128,385
Total comprehensive income for the year attributable to the owners of the parent company	84,740	68,226
Total comprehensive income for the year attributable to NCI	84,740	68,225
Total comprehensive income for the year	169,480	136,451
Net cash flow from operating activities	69,155	231,614
Net cash flow used in investing activities	(194,423)	(342,557)
Net cash (outflow)/inflow	(125,268)	(110,943)

b) National Industries Company for Ceramic -KSCC

Summarised financial information for National Industries Company for Ceramic – KSCC, before intragroup eliminations is set out below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	16,623,938	17,416,363
Current assets	8,368,645	7,417,607
Total assets	24,992,583	24,833,970
Non-current liabilities	159,774	110,140
Current liabilities	14,418,314	24,268,367
Total liabilities	14,578,088	24,378,507
Equity attributable to the owners of the parent company	9,000,936	273,278
Non-controlling interests	1,413,559	182,185
Total equity	10,414,495	455,463

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

b) National Industries Company for Ceramic – KSCC (continued)

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	6,590,655	5,969,587
Profit for the year attributable to the owners of the parent company	1,645	(630,335)
Loss for the year attributable to NCI	(42,613)	(420,223)
Loss for the year	(40,968)	(1,050,558)
Total comprehensive income/(loss) for the year attributable to the owners of the parent company	1,645	(630,335)
Total comprehensive loss for the year attributable to NCI	(42,613)	(420,223)
Total comprehensive loss for the year	(40,968)	(1,050,558)
Net cash flow (used in)/from operating activities	(1,181,414)	1,296,213
Net cash flow (used in)/from investing activities	(1,842,635)	465,177
Net cash flow from financing activities	1,640,614	155,359
Net cash (outflow)/inflow	(1,383,435)	1,916,749

7.3 Interests in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

8 Revenue from sales and services

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Sale of building and infrastructure materials	47,189,831	46,670,326
Contracting revenue	1,025,902	973,846
	48,215,733	47,644,172

Notes to the consolidated financial statements (continued)

9 Investment income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Gain on sale of available for sale investments	291,182	-
Dividend income from available for sale investments	930,137	708,201
Dividend income from investments at fair value through profit or loss	34,581	102,881
Loss from investments at fair value through profit or loss	(168,931)	(347,526)
Income from short term murabaha	234,690	167,196
Interest and other income	31,976	33,515
	1,353,635	664,267

10 Basic and diluted earnings per share attributable to the owners of the parent company

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to the owners of the parent company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
Profit for the year attributable to the owners of the parent company (KD)	7,787,570	7,359,730
Weighted average number of shares outstanding during the year to be used for basic earnings per share (excluding treasury shares)	347,734,557	346,708,630
Shares to be issued for no consideration under share based payments	1,508,186	1,459,457
Weighted average number of shares outstanding during the year to be used for diluted earnings per share (excluding treasury shares)	349,242,743	348,168,087
Basic earnings per share attributable to the owners of parent company	22.40 Fils	21.23 Fils
Diluted earnings per share attributable to the owners of parent company	22.30 Fils	21.14 Fils

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

31 December 2015	Land KD	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
Cost							
At 1 January	1,417,013	34,365,648	50,551,542	11,003,032	4,919,725	2,147,616	104,404,576
Additions/transfers	-	263,514	755,550	399,503	247,862	479,288	2,145,717
Write-off/disposals	-	(916,354)	(396,242)	(26,207)	(137,784)	-	(1,476,587)
Foreign currency adjustments	52,664	86,415	240,499	5,305	2,538	326	387,747
At 31 December	1,469,677	33,799,223	51,151,349	11,381,633	5,032,341	2,627,230	105,461,453
Accumulated depreciation							
At 1 January	-	23,979,629	38,337,338	9,692,213	4,461,805	-	76,470,985
Charge for the year	-	691,597	1,768,730	616,904	165,752	-	3,242,983
Relating to write- off/disposals	-	(916,341)	(366,397)	(26,204)	(134,361)	-	(1,443,303)
Foreign currency adjustments	-	18,082	99,663	3,833	990	-	122,568
At 31 December	-	23,772,967	39,839,334	10,286,746	4,494,186	-	78,393,233
Net book value							
At 31 December	**1,469,677**	**10,026,256**	**11,312,015**	**1,094,887**	**538,155**	**2,627,230**	**27,068,220**

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment (continued)

31 December 2014 Cost	Land KD	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
At 1 January	1,366,717	34,092,342	49,667,818	10,753,181	4,773,160	2,134,647	102,787,865
Additions/transfers	-	191,521	659,417	412,980	216,975	12,969	1,493,862
Write-off/disposals	-	-	(6,706)	(166,210)	(72,434)	-	(245,350)
Foreign currency adjustments	50,296	81,785	231,013	3,081	2,024	-	368,199
At 31 December	1,417,013	34,365,648	50,551,542	11,003,032	4,919,725	2,147,616	104,404,576
Accumulated depreciation							
At 1 January	-	23,239,342	36,378,530	9,140,757	4,279,852	-	73,038,481
Charge for the year	-	725,475	1,882,010	707,946	230,544	-	3,545,975
Relating to write- off/disposals	-	-	(6,673)	(159,006)	(49,065)	-	(214,744)
Foreign currency adjustments	-	14,812	83,471	2,516	474	-	101,273
At 31 December	-	23,979,629	38,337,338	9,692,213	4,461,805	-	76,470,985
Net book value							
At 31 December	1,417,013	10,386,019	12,214,204	1,310,819	457,920	2,147,616	27,933,591

The parent company's buildings have been constructed on plots of land which have been leased from the government through renewable lease contracts.

Assets under construction represent the cost incurred on the expansion of the group's existing factories and the construction of manufacturing lines by a subsidiary. During the prior years, portions of the manufacturing lines which were completed and ready for intended use were capitalised in the appropriate categories. The costs relating to the remaining manufacturing lines and facilities will be transferred to the appropriate asset categories when the assets are ready for their intended use.

Notes to the consolidated financial statements (continued)

12 Investment in associates

12.1 Details of the group's investment in associates are given below:

	Country of incorporation	Percentage of ownership 31 Dec. 2015	31 Dec. 2014	Purpose
Kuwait Rocks Company – KSC (Closed)	Kuwait	38%	38%	Building materials
Al-Raya Global Real Estate Co. – KSCC	Kuwait	20%	20%	Real estate
Insulation System Factory – WLL (12.1.1)	Bahrain	50%	50%	Contracting
United Gulf Pipes Factory – LLC (12.1.2)	Oman	45%	30%	Manufacturing
Omani German Company for Building Materials – LLC	Oman	32.5%	32.5%	Manufacturing

All the above associates are unquoted.

The movement of investment in associates during the year is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at beginning of the year	3,062,174	2,753,183
Share of results of associates	(53,394)	258,261
Losses adjusted to due from associate	(80,682)	43,841
Additions	2,297,650	-
Dividend received	(107,571)	-
Share of other comprehensive income	13,270	2,308
Foreign exchange translation	53,790	4,581
	5,185,237	3,062,174

12.1.1 During the year, the group participated in increase in capital of Insulation System Factory – WLL (Bahrain) amounting to KD1,433,177 which was settled by way of transfer from amount due from the associate. The percentage ownership remained at 50% equity interest. The legal formalities for this increase are in progress.

12.1.2 During the year, the group participated in increase in capital of United Gulf Pipes Factory – LLC (Oman) amounting to KD864,473 which was paid in cash. Since, some of the partners did not participate in the increase of capital, the percentage ownership of the group increased from 30% to 45% equity interest. There is embedded goodwill of KD 317,439 on this acquisition. This amount was recorded based on provisional fair value of the identifiable assets and liabilities of the associate at the date of increase in capital, and is subject to completion of purchase price allocation exercise.

Notes to the consolidated financial statements (continued)

12 Investment in associates (continued)

12.2 Summarised financial information of group's material associates are set out below:

a) **Al-Raya Global Real Estate Co. – KSCC:**

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	13,786,994	12,713,573
Current assets	1,449,357	4,191,828
Total assets	15,236,351	16,905,401
Non-current liabilities	126,381	1,355,620
Current liabilities	1,723,065	2,573,496
Total liabilities	1,849,446	3,929,116
Net assets	13,386,905	12,976,285

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	640,466	2,648,018
Profit for the year	882,125	1,937,580
Other comprehensive income for the year	66,350	11,540
Total comprehensive income for the year	948,475	1,949,120

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
Group's ownership interest	20%	20%
Net assets of the associate (KD)	13,386,905	12,976,285
Group's share of net assets (KD)	2,677,381	2,595,257
Carrying amount (KD)	2,677,381	2,595,257

The group has accounted for its share of results of the associate using 30 September 2015 reviewed financial statements.

Notes to the consolidated financial statements (continued)

12 Investment in associates (continued)

b) Insulation System Factory – WLL:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	1,517,902	2,051,590
Current assets	1,979,358	919,624
Total assets	3,497,260	2,971,214
Non-current liabilities	5,247	-
Current liabilities	528,401	2,971,212
Total liabilities	533,648	2,971,212
Net assets	2,963,612	2

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	1,427,959	1,008,650
Profit/(loss) for the year	159,454	(87,682)
Other comprehensive income for the year	99,166	-
Total comprehensive income/(loss) for the year	258,620	(87,682)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
Group's ownership interest	50%	50%
Net assets of the associate (KD)	2,963,612	2
Group's share of net assets (KD)	1,481,806	1
Carrying amount (KD)	1,481,806	1

The group has accounted for its share of results of the associate using 31 December 2015 management accounts.

Notes to the consolidated financial statements (continued)

12 Investment in associates (continued)

c) United Gulf Pipes Factory – LLC:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	6,020,918	6,034,058
Current assets	5,807,592	4,246,710
Total assets	11,828,510	10,280,768
Non-current liabilities	4,914,813	4,305,055
Current liabilities	6,052,211	5,831,286
Total liabilities	10,967,024	10,136,341
Net assets	861,486	144,427

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	4,509,047	5,063,046
(Loss)/profit for the year	(425,880)	181,423
Other comprehensive loss for the year	(24,549)	(53,830)
Total comprehensive (loss)/income for the year	(450,429)	127,593

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
Group's ownership interest	45%	30%
Net assets of the associate (KD)	861,486	144,427
Group's share of net assets (KD)	387,669	43,328
Embedded Goodwill	317,439	-
Carrying amount (KD)	705,108	43,328

The group has accounted for its share of results of the associate using 30 September 2015 management accounts.

Notes to the consolidated financial statements (continued)

12 Investment in associates (continued)

12.3 Set out below is the aggregate information for the individually immaterial associates, based on audited financial statements at 31 December 2015 and 2014.

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Group's share of the profits and losses	(117,900)	(139,841)
Group's share of other comprehensive profit	15,254	20,730
Group's share of total comprehensive loss	(102,646)	(119,111)
Aggregate carrying amount of group's interest in these associates	320,942	423,588

13 Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Local quoted securities	8,730,428	12,612,118
Local unquoted securities	6,268,232	6,749,352
Foreign quoted securities	1,692,691	1,740,940
Foreign unquoted securities	15,264,511	13,975,406
Murabaha investment	4,997,059	2,987,143
	36,952,921	38,064,959

During the year, the parent company recognised an impairment loss of KD715,321 (2014: KD1,376,018) against certain investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

Murabaha investment is with local Islamic financial institution and carries effective profit rate of 2% above CBK rate and matures in August 2018 and is carried at cost. This investment represents the parent company's participation in a syndicated arrangement of murabaha provided to the ultimate parent company by a local Islamic financial institution. The investment carries an option to convert this investment into equity shares of a Kuwaiti listed company at an agreed price in the event of default or on maturity, whichever is earlier.

14 Inventories and spare parts

	31 Dec. 2015 KD	31 Dec. 2014 KD
Raw materials	8,751,224	8,313,023
Finished goods and work-in-progress	6,033,076	5,201,864
Spare parts	3,626,201	3,218,532
Goods in transit	1,032,497	413,065
	19,442,998	17,146,484
Provision for obsolete and slow moving items	(767,871)	(765,671)
	18,675,127	16,380,813

Notes to the consolidated financial statements (continued)

15 Investments at fair value through profit or loss

	31 Dec. 2015 KD	31 Dec. 2014 KD
Designated on initial recognition:		
Managed funds and portfolios	1,609,956	1,841,848
Quoted equity securities	351,570	547,528
	1,961,526	2,389,376

16 Accounts receivable and other assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Trade receivables	11,152,065	8,285,792
Provision for doubtful debts	(1,022,923)	(1,022,923)
	10,129,142	7,262,869
Due from ultimate parent company	448,139	347,016
Due from associates	231,640	1,724,149
Due from related companies	9,023	9,023
Staff receivables	213,885	174,536
Prepayments	455,551	342,102
Advances to contractors	95,413	152,076
Retentions	754,759	670,050
Accrued income and other assets	560,539	288,528
	12,898,091	10,970,349

16.1 The carrying values of the financial assets included above approximate their fair values and are due within one year.

16.2 Trade receivables are non-interest bearing and generally on 30 – 90 days credit terms.

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Neither past due nor impaired	6,927,942	4,884,413
Past due but not impaired		
- 3 – 6 months	3,201,200	2,378,456
Impaired		
- over 6 months	1,022,923	1,022,923
Total trade receivables	11,152,065	8,285,792

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2015, trade receivables of KD3,201,200 (2014: KD2,378,456) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Notes to the consolidated financial statements (continued)

17 Share capital and share premium

	31 Dec. 2015 KD	31 Dec. 2014 KD
Shares of KD0.100 each		
- Authorised	**35,320,187**	35,320,187
- Issued and fully paid	**34,793,545**	34,675,783

During the year, the parent company issued 1,177,629 shares (2014: 249,901 shares) under the staff share based payment scheme (Note 26) at price ranging from KD0.200 to KD0.335 per share. The amount in excess of nominal amount of KD0.100 was credited to the share premium account.

18 Treasury shares

	31 Dec. 2015	31 Dec. 2014
Number of shares	**140,872**	19,932
Percentage of issued shares	**0.04%**	0.01%
Cost of treasury shares (KD)	**34,236**	6,440
Market value (KD)	**31,837**	4,146

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

19 Legal and voluntary reserves

In accordance with the Companies Law and the parent company's articles of association, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and directors' remuneration is transferred to legal reserve. The parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for distribution of a dividend of that amount.

In accordance with the Companies Law and the parent company's articles of association, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and directors' remuneration is transferred to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

Notes to the consolidated financial statements (continued)

20 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2015	**9,951,418**	**36,391**	**9,987,809**
Exchange differences on translation of foreign operations	-	121,152	121,152
Share of other comprehensive income of associates	(4,141)	17,411	13,270
Available for sale investments:			
- Net change in fair value arising during the year	(2,498,922)	-	(2,498,922)
- Transferred to consolidated statement of profit or loss on impairment	715,321	-	715,321
- Transferred to consolidated statement of profit or loss for sale	(261,408)	-	(261,408)
Total other comprehensive (loss)/income for the year	(2,049,150)	138,563	(1,910,587)
Balance at 31 December 2015	**7,902,268**	**174,954**	**8,077,222**
Balance at 1 January 2014	8,558,067	(34,828)	8,523,239
Exchange differences on translation of foreign operations	-	68,774	68,774
Share of other comprehensive income of associates	(137)	2,445	2,308
Available for sale investments:			
- Net loss arising during the year	17,470	-	17,470
- Transferred to consolidated statement of profit or loss on impairment	1,376,018	-	1,376,018
Total other comprehensive income for the year	1,393,351	71,219	1,464,570
Balance at 31 December 2014	9,951,418	36,391	9,987,809

21 Murabaha payable

These represent murabaha facilities obtained from local financial institutions carrying an average effective profit rate of 4.00 % (2014: 4.00%) per annum.

22 Accounts payable and other liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Trade payables	**7,690,677**	6,680,308
Due to other related companies (non-controlling interest)	**443,039**	2,371,163
Staff payables	**139,058**	163,029
Provision for staff leave	**859,492**	822,109
Accrued expenses	**1,606,919**	1,429,663
Due to customers for contract works	**454,879**	377,018
Other liabilities	**849,731**	723,842
	12,043,795	12,567,132

23 Fixed deposits

Fixed deposits carry average interest rate of 1.6% (2014: 1.8%) per annum and mature within one year of financial position date.

Notes to the consolidated financial statements (continued)

24 Operating segments

The group's format for reporting segment information is business segments and the group primarily operates in two business segments: Building materials and Contracting services, and Investments. The segment information is as follows:

	Building materials and contracting services		Investments		Total	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Segment revenue	48,215,733	47,644,172	1,353,635	664,267	49,569,368	48,308,439
Loss from investments	-	-	(715,321)	(1,376,018)	(715,321)	(1,376,018)
Share of results of associates	-	-	(53,394)	258,261	(53,394)	258,261
					48,800,653	47,190,682
Segment results	7,780,541	8,319,894	584,920	(453,490)	8,365,461	7,866,404
Unallocated expenses					(341,194)	(506,608)
Profit for the year, per consolidated statement of profit or loss					8,024,267	7,359,796
Depreciation	3,242,983	3,545,975	-	-	3,242,983	3,545,975
Provision for doubtful debts	-	2,413	-	-	-	2,413
Impairment of available for sale investments	-	-	715,321	1,376,018	715,321	1,376,018
Assets	57,961,659	53,213,588	55,800,658	57,734,791	113,762,317	110,948,379
Liabilities	(18,322,116)	(18,647,812)	-	(102,446)	(18,322,116)	(18,750,258)
	39,639,543	34,565,776	55,800,658	57,632,345	95,440,201	92,198,121

Notes to the consolidated financial statements (continued)

25 Proposed dividends

Subject to the requisite consent of the relevant authorities and approval of the general assembly, the directors propose for the year ended 31 December 2015 a cash dividend of 20 Fils (2014: 15 Fils) per share of paid up share capital be distributed to the shareholders of record as of the date of the general assembly.

The annual general assembly of the shareholders held on 23 April 2015, approved the consolidated financial statements for the year ended 31 December 2014 and cash dividend of 15 Fils per share amounting to KD5,216,650 for the year ended 31 December 2014 which was paid following that approval.

26 Share based payment

Under the senior executive plan, share options of the parent company are granted to senior executive of the parent company.

The scheme is part of the remuneration package of the group's senior management. The scheme continues for a five year period under which a maximum of 7,000,000 shares will be granted to the participants over that period. Options under the scheme will vest if certain conditions, as defined in the scheme, are met. It is based on the performance of the scheme participants and the options vests at the end of each fiscal year based on a pre-determined formula. Participants have to be employed until the end of each of the five year vesting period. Upon vesting, each option allows the holder to receive one share at no cost. There are no cash settlement alternatives.

The expense recognised for employees services under the senior executive plan amounted to KD253,343 (2014: KD182,884) during the year. The carrying amount of the liability relating to the plan at 31 December 2015 was KD250,002 (2014: KD296,482) shown under staff bonus reserve in equity.

The following table illustrates the number and weighed average exercise prices (WAEP) and movement in share option during the year.

	31 Dec 2015 Share options	31 Dec 2015 WAEP	31 Dec 2014 Share options	31 Dec 2014 WAEP
	Number	KD	Number	KD
Opening balance	1,459,457	0.268	651,713	0.335
Granted during the year	1,226,358	0.208	1,057,645	0.200
Exercised during the year	(1,177,629)	0.248	(249,901)	0.200
Outstanding at 31 December	1,508,186	0.238	1,459,457	0.268
Exercisable at 31 December	-	-	311,254	0.268

27 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the parent company, and companies of which they 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.

Notes to the consolidated financial statements (continued)

27 Related party transactions (continued)

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Amounts included in the consolidated financial position:		
Due from ultimate parent company (note 16)	448,139	347,016
Due from associates (note 16)	231,640	1,724,149
Due from other related companies (note 16)	9,023	9,023
Due to other related companies (non-controlling interests) (note 22)	439,039	2,371,163

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Transactions included in the consolidated statement of profit or loss:		
Interest income	11,952	3,765
Compensation of key management personnel of the parent company		
Directors' fees	150,000	150,000
Short term benefits	234,465	243,897
End of service benefits	16,147	35,988
Cost of share based payments	118,612	89,251
	519,224	519,136

28 Commitments and contingent liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Capital commitments	-	2,821
Letters of guarantee	4,637,523	4,289,889
Letters of guarantee from ultimate parent company	200,000	200,000
	4,822,261	4,492,710

During the year, the parent company received a letter from one of the government owned entities which supplies gas to one of the factories of the group demanding payment for usage of gas for 2004 till 2011. The group rejected this claim on several grounds, inter alia, there has never been agreement to pay for gas usage for that period because the factory was relocated at that place on the government's request wherein the government had promised provision of land, electrify and gas. Further, no invoice was ever issued to the group in that period. The supplier filed a legal case against the parent company claiming its right to recover the amount for the gas usage. The court in its first hearing transferred the case to the Expert's department. Management believes that the likelihood of any payment against the claim of the supplier is remote. Therefore, no liability has been recorded in these consolidated financial statements against the legal claim.

29 Risk management objectives and policies

The recognition and management of risk is an essential element of group's risk strategy. The Board is ultimately responsible for the management of risks associated with group's activities. It has established a framework of policies and controls to identify, assess, monitor and manage risk.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

Group's risk policies and processes aim to protect the asset values and income streams such that the interests of shareholders and external fund providers are protected and shareholders' return is optimised.

29.1 Market risk

a) Foreign currency risk

The group is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Pound Sterling and currencies of other Middle Eastern countries. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2015 KD	31 Dec. 2014 KD
US Dollar	14,308,448	13,068,638
UAE Dirhams	893,146	861,828
Jordanian Dinar	236,481	252,791
Saudi Riyal	6,359,388	6,271,224
Bahraini Dinar	1,753,429	1,570,569
Omani Riyal	1,695,610	1,369,809
Pound Sterling	599,242	615,176

The foreign currency sensitivity is determined assuming 5% (2014: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

If the Kuwaiti Dinar had strengthened/weakened assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
US Dollar	±35,851	±37,800	±681,222	±615,632
Other currencies	±255,679	±324,708	±321,883	±223,094

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to murabaha investment, murabaha payables and term loans.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2014: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2015		31 Dec. 2014	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Profit for the year	115,861	(115,861)	61,303	(61,303)

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through profit or loss and available-for-sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The equity price risk sensitivity is determined on the following assumptions:

	31 Dec. 2015	31 Dec. 2014
Kuwait market	5%	5%
Other international markets	10%	10%

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	Profit for the year		Equity	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial assets at fair value through profit or loss	98,076	119,469	-	-
Available-for-sale investments	-	-	605,791	804,700
Total	98,076	119,469	605,791	804,700

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarized below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Bank balances	3,727,771	8,356,880
Fixed deposits	7,225,000	3,725,000
Accounts receivable and other assets	12,898,091	10,619,480
Murabaha investment	4,997,059	2,987,143
Available for sale investments	31,955,862	35,077,816
Investments at fair value through profit or loss	1,961,526	2,389,376
	62,765,309	63,155,695

Bank balances, fixed deposit and Murabaha investment are maintained with high credit quality financial institutions. Accounts receivable and other assets are neither past due nor impaired.

The company's largest customer accounted for 23% (2014: 32%) of the total trade receivables.

29.3 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The group's maturity profile of financial liabilities using discounted cash flows is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
As at 31 December 2015					
Murabaha payables	97,952	172,875	365,146	-	635,973
Accounts payable and other liabilities	2,440,430	4,138,600	5,464,765	-	12,043,795
	2,538,382	4,311,475	5,829,911	-	12,679,768
As at 31 December 2014					
Term loans	-	104,770	-	-	104,770
Murabaha payables	-	399,280	230,100	-	629,380
Accounts payable and other liabilities	2,546,460	4,318,398	5,702,274	-	12,567,132
	2,546,460	4,822,448	5,932,374	-	13,301,282

Notes to the consolidated financial statements (continued)

30 Fair value measurement

30.1 Fair value hierarchy
Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

30.2 Fair value measurement of financial instruments
The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and cash equivalents	3,796,195	8,422,117
Fixed deposits	7,225,000	3,725,000
Accounts receivable and other assets	12,898,091	10,970,349
Investments at fair value through profit or loss:		
Investments at fair value through profit or loss	1,961,526	2,389,376
Available for sale investments at fair value:		
Available for sale investments at fair value	31,325,523	34,447,477
Available for sale investments at cost	630,339	630,339
Murabaha investment	4,997,059	2,987,143
	62,833,733	63,571,801
Financial liabilities:		
Financial liabilities at amortised cost:		
Term loans	-	102,446
Accounts payable and other liabilities	12,043,795	12,567,132
Murabaha payables	635,973	629,380
	12,679,768	13,298,958

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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.

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2015		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Financial assets designated at fair value through profit or loss					
Quoted securities	a	351,570	-	-	351,570
Managed funds and portfolios	b	-	1,609,956	-	1,609,956
Available for sale investments					
Local quoted securities	b	8,730,428	-	-	8,730,428
Local unquoted securities	c	-	-	6,268,232	6,268,232
Foreign quoted securities	b	1,692,691	-	-	1,692,691
Foreign unquoted securities	c	-	-	14,634,172	14,634,172
		10,774,689	1,609,956	20,902,404	33,287,049

31 December 2014		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Financial assets designated at fair value through profit or loss					
Quoted securities	a	547,528	-	-	547,528
Managed funds and portfolios	b	-	1,841,848	-	1,841,848
Available for sale investments					
Local quoted securities	b	12,612,118	-	-	12,612,118
Local unquoted securities	c	-	-	6,749,352	6,749,352
Foreign quoted securities	b	1,740,940	-	-	1,740,940
Foreign unquoted securities	c	-	-	13,345,067	13,345,067
		14,900,586	1,841,848	20,094,419	36,836,853

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

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

a) Managed funds and portfolios

The underlying investments of managed funds and portfolios primarily comprise of local quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

Measurement at fair value (continued)

c) Unquoted securities

The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

d) Financial liabilities

The group does not have any financial liabilities at fair value.

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant 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:

	Available for sale investments	
	Unquoted securities 31 Dec. 2015 KD	Unquoted securities 31 Dec. 2014 KD
Opening balance	20,094,419	18,623,505
Gains or losses recognised in:		
- Consolidated statement of profit or loss	(102,228)	(1,308,474)
- Other comprehensive income	1,563,022	2,773,828
Purchases	-	5,560
Sales	(652,809)	-
Closing balance	20,902,404	20,094,419

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Available for sale investments and investment at fair value through profit or loss:

The fair value of financial instruments that are not traded in an active market (e.g local unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

Available for sale investments and investment at fair value through profit or loss: (continued)
Gains or losses recognized in the consolidated statement of profit or loss for the year are included in loss on sale of investments at fair value through profit or loss, change in fair value of investments at fair value through profit or lossand gain on sale of available for sale investments.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on consolidated statement of profit or loss and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

31 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group consists of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the return on equity and is calculated as profit for the year divided by total equity as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Profit for the year attributable to the owners of the parent company	7,787,570	7,359,730
Total equity	89,813,657	89,345,010
Return on equity	8.67%	8.24%