

Interim condensed consolidated financial information and review report

National Industries Company – KPSC and Subsidiaries

Kuwait

31 March 2015 (Unaudited)

Contents

	Page
Review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5 and 6
Interim condensed consolidated statement of cash flows	7
Notes to the interim condensed consolidated financial information	8 to 18



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Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Company (A Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 31 March 2015 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2015 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait

11 May 2015

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Revenue			
Revenue from sales and services		12,615,571	12,134,445
Cost of sales and services		(9,019,016)	(9,011,179)
Gross profit		3,596,555	3,123,266
Other operating income		42,126	63,426
Share of results of associates		112,620	(48,605)
Investment income	5	67,981	72,068
Foreign exchange gain		63,493	141
		3,882,775	3,210,296
Expenses and other charges			
Distribution expenses		(534,894)	(388,835)
General administrative and other expenses		(1,174,347)	(949,299)
Finance costs		(2,937)	(78,052)
Impairment loss on available for sale investments		(44,854)	-
		(1,757,032)	(1,416,186)
Profit before contribution to KFAS, NLST and Zakat		2,125,743	1,794,110
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(17,792)	(16,983)
Provision for National Labour Support Tax (NLST)		(49,743)	(51,447)
Provision for Zakat		(18,855)	(20,579)
Profit for the period		2,039,353	1,705,101
Attributable to :			
Owners of the parent company		2,006,749	1,797,999
Non-controlling interests		32,604	(92,898)
Profit for the period		2,039,353	1,705,101
Basic and diluted earnings per share attributable to the owners of the parent company	6	5.75 Fils	5.17 Fils

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Profit for the period	2,039,353	1,705,101
Other comprehensive income:		
<i>Items that will be reclassified subsequently to statement of profit or loss</i>		
Available for sale investments:		
- Net change in fair value during the period	(681,326)	1,044,565
- Transferred to interim condensed consolidated statement of profit or loss on impairment	44,854	-
Exchange differences arising on translation of foreign operations	97,433	(5,118)
Share of other comprehensive income of associates	3,560	(1,622)
Total other comprehensive (loss)/income	(535,479)	1,037,825
Total comprehensive income for the period	1,503,874	2,742,926
Total comprehensive income attributable to:		
Owners of the parent company	1,422,554	2,838,383
Non-controlling interests	81,320	(95,457)
	1,503,874	2,742,926

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		27,627,876	27,933,591	29,180,051
Investment in associates		3,178,355	3,062,174	2,702,956
Available for sale investments		37,382,204	38,064,959	39,092,092
		68,188,435	69,060,724	70,975,099
Current assets				
Inventories and spare parts		15,983,233	16,380,813	16,291,039
Investments at fair value through profit or loss		2,243,007	2,389,376	3,650,232
Accounts receivable and other assets		13,036,765	10,970,349	11,539,199
Fixed deposits	7	7,725,000	3,725,000	900,000
Cash and bank balances		6,684,909	8,422,117	4,294,879
		45,672,914	41,887,655	36,675,349
Total assets		113,861,349	110,948,379	107,650,448
Equity and liabilities				
Equity				
Share capital	8	34,793,545	34,675,783	34,675,783
Share premium	8	32,202,714	32,020,653	32,020,653
Treasury shares	9	(6,440)	(6,440)	(6,440)
Legal reserve		3,825,928	3,825,928	3,042,395
Voluntary reserve		2,243,107	2,243,107	1,459,574
Staff bonus shares reserve		250,002	296,482	296,482
Other components of equity	10	9,403,614	9,987,809	9,563,623
Retained earnings		8,308,437	6,301,688	2,307,023
Total equity attributable to the owners of the parent company		91,020,907	89,345,010	83,359,093
Non-controlling interests		2,934,431	2,853,111	2,693,396
Total equity		93,955,338	92,198,121	86,052,489
Non-current liabilities				
Provision for land-fill expenses		725,671	724,148	718,833
Provision for employees' end of service benefits		4,843,640	4,727,152	4,625,450
		5,569,311	5,451,300	5,344,283
Current liabilities				
Murabaha payables		414,793	629,380	2,415,401
Term loan		-	102,446	1,002,446
Accounts payable and other liabilities		13,921,907	12,567,132	12,835,829
		14,336,700	13,298,958	16,253,676
Total liabilities		19,906,011	18,750,258	21,597,959
Total equity and liabilities		113,861,349	110,948,379	107,650,448

Abdul Aziz Ibrahim Al-Rabia
Chairman



The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company										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 10) KD	Retained earnings KD	Sub-total 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		
Cost of share based payment	-	-	-	-	-	253,343	-	-	253,343	-	253,343		
Issue of staff bonus shares (note 8)	117,762	182,061	-	-	-	(299,823)	-	-	-	-	-		
Transaction with owners	117,762	182,061	-	-	-	(46,480)	-	-	253,343	-	253,343		
Profit for the period	-	-	-	-	-	-	-	2,006,749	2,006,749	32,604	2,039,353		
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	(584,195)	-	(584,195)	48,716	(535,479)		
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(584,195)	2,006,749	1,422,554	81,320	1,503,874		
Balance at 31 March 2015	34,793,545	32,202,714	(6,440)	3,825,928	2,243,107	250,002	9,403,614	8,308,437	91,020,907	2,934,431	93,955,338		

Interim condensed 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 10) KD	Retained earnings KD	Sub-total 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 payment Issue of staff bonus shares (note 8)	-	-	-	-	-	182,884 (49,980)	-	-	182,884	-	182,884
Transaction with owners	24,990	24,990	-	-	-	132,904	-	-	182,884	-	182,884
Profit/(loss) for the period	-	-	-	-	-	-	-	1,797,999	1,797,999	(92,898)	1,705,101
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	1,040,384	-	1,040,384	(2,559)	1,037,825
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	1,040,384	1,797,999	2,838,383	(95,457)	2,742,926
Balance at 31 March 2014	34,675,783	32,020,653	(6,440)	3,042,395	1,459,574	296,482	9,563,623	2,307,023	83,359,093	2,693,396	86,052,489

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
OPERATING ACTIVITIES		
Profit for the period	2,039,353	1,705,101
Adjustments:		
Depreciation of property, plant and equipment	849,072	879,423
Loss on write off of property, plant and equipment	14,155	2,094
Share of results of associates	(112,620)	48,605
Dividend income from available for sale investments	(99,707)	(20,309)
Impairment loss on available for sale investment	44,854	-
Income from short term murabaha investments	(57,550)	(36,889)
Share based payment	253,343	182,704
Interest income	(7,427)	(893)
Finance costs	2,937	78,052
Foreign exchange (gain)/loss on non-operating assets and liabilities	(100,751)	15,223
Provision for land-fill expenses	1,523	1,842
Provision for staff indemnity	333,349	304,211
	3,160,531	3,159,164
Changes in operating assets and liabilities:		
Inventories and spare parts	397,580	825,377
Investments at fair value through profit or loss	146,369	304,223
Accounts receivable and other assets	(2,066,416)	(56,181)
Accounts payable and other liabilities	1,354,775	1,025,281
Cash from operations	2,992,839	5,257,864
Staff indemnity paid	(216,861)	(114,865)
Net cash from operating activities	2,775,978	5,142,999
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(359,329)	(322,821)
Purchase of available for sale investments	-	(1,312)
Proceeds on sale of available for sale investments	1,429	1,428
Dividend income received from available for sale investments	99,707	20,309
Increase in fixed deposits	(4,000,000)	(250,000)
Interest income received	7,427	893
Murabaha income received	57,550	36,889
Net cash used in investing activities	(4,193,216)	(514,614)
FINANCING ACTIVITIES		
Repayment of term loans	(102,446)	(900,000)
Repayments of murabaha payables	(243,921)	(2,697,521)
Proceeds from murabaha payables	29,334	69,406
Finance costs paid	(2,937)	(78,052)
Dividends paid	-	(4,762)
Net cash used in financing activities	(319,970)	(3,610,929)
Net (decrease)/increase in cash and cash equivalents	(1,737,208)	1,017,456
Cash and cash equivalents at beginning of the period	8,422,117	3,277,423
Cash and cash equivalents at end of the period	6,684,909	4,294,879

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

National Industries 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 those activities 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.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the “Companies Law”), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013. On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

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

The parent company's board of directors approved this interim condensed consolidated financial information for issue on 11 May 2015.

2 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the most recent annual financial statements of the group for the year ended 31 December 2014 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the group.

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

Operating results for the three month period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2014.

3 Changes in accounting policies

3.1 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:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
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 contribution, 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 interim condensed consolidated financial information.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) *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 interim consolidated statement of profit or loss.

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

(iii) *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.

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

(v) *Amendments to LAS 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 interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

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

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 interim condensed consolidated financial information.

4 Judgement and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2014.

5 Investment income

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Dividend income from available for sale investments	99,707	20,309
(Loss)/income from investments at fair value through profit or loss	(96,703)	7,633
Income from short term murabaha	57,550	36,889
Interest and other income	7,427	7,237
	67,981	72,068

Notes to the interim condensed consolidated financial information (continued)

6 Basic and diluted earnings per share

Basic and diluted earnings per share attributable to the owners of the parent company is calculated by dividing the parent company's profit for the period by the weighted average number of shares outstanding during the period excluding treasury shares as follows:

	Three months ended 31 March 2015 (Unaudited)	Three months ended 31 March 2014 (Unaudited)
Profit for the period attributable to the owners of the parent (KD)	2,006,749	1,797,999
Weighted average number of shares outstanding during the period (excluding treasury shares)	347,326,705	346,621,270
Shares to be issued for no consideration under share based payments	1,508,186	1,459,457
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	348,834,891	348,080,727
Basic and diluted earnings per share attributable to the owners of the parent company	5.75 Fils	5.17 Fils

7 Fixed deposits

Fixed deposits carry average interest rate of 1.8% (31 December 2014: 1.8% and 31 March 2014: 1.5%) per annum and mature within one year of financial position date.

8 Share capital and share premium

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Authorised share capital of KD 0.100 each	35,320,187	35,320,187	35,320,187
Issued and paid up capital of KD 0.100 each	34,793,545	34,675,783	34,675,783

During the period, the parent company issued 1,177,629 shares (31 December 2014: 249,901 shares and 31 March 2014: 249,901 shares) under the staff share based payment scheme at KD0.208 per share (31 December 2014: KD0.200 and 31 March 2014: KD0.335). The amount in excess of nominal amount of KD0.100 each was credited to the share premium account.

9 Treasury shares

	31 March 2015 (Unaudited)	31 Dec. 2014 (Audited)	31 March 2014 (Unaudited)
Number of shares	19,932	19,932	19,932
Percentage of issued shares	0.01%	0.01%	0.01%
Cost of treasury shares (KD)	6,440	6,440	6,440
Market value (KD)	4,146	4,146	4,863

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

Notes to the interim condensed consolidated financial information (continued)

10 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 arising on translation of foreign operations	-	48,717	48,717
Share of other comprehensive income of associates	(2,208)	5,768	3,560
Available for sale investments:			
- Net change in fair value arising during the period	(681,326)	-	(681,326)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	44,854	-	44,854
Total other comprehensive (loss)/income for the period	(638,680)	54,485	(584,195)
Balance at 31 March 2015 (Unaudited)	9,312,738	90,876	9,403,614
Balance at 1 January 2014	8,558,067	(34,828)	8,523,239
Exchange differences arising on translation of foreign operations	-	(2,559)	(2,559)
Share of other comprehensive income of associates	552	(2,174)	(1,622)
Available for sale investments:			
- Net change in fair value arising during the period	1,044,565	-	1,044,565
Total other comprehensive income/(loss) for the period	1,045,117	(4,733)	1,040,384
Balance at 31 March 2014 (Unaudited)	9,603,184	(39,561)	9,563,623

11 Dividends

The Annual General Assembly of shareholders held on 23 April 2015, approved the consolidated financial statements for the year ended 31 December 2014 and cash dividend of 15 Fils (2013: Nil Fils) per share amounting to KD5,216,650 (2013: KD Nil) for the year ended 31 December 2014 which was paid following that approval.

Notes to the interim condensed consolidated financial information (continued)

12 Segmental information

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 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD
Three months ended: Segment revenue	12,615,571	12,134,445	67,981	72,068	12,683,552	12,206,513
Loss from investment	-	-	(44,854)	-	(44,854)	-
Share of results of associates	-	-	112,620	(48,605)	112,620	(48,605)
Segment results	1,929,440	1,848,558	135,747	23,463	2,065,187	1,872,021
Unallocated expenses					(25,834)	(166,920)
Profit for the period per interim condensed consolidated statement of profit or loss	849,072	879,423	-	-	2,039,353	1,705,101
Depreciation					849,072	879,423
Assets	52,692,299	54,988,980	61,169,050	52,661,468	113,861,349	107,650,448
Liabilities	(19,491,218)	(20,595,513)	(414,793)	(1,002,446)	(19,906,011)	(21,597,959)
	33,201,081	34,393,467	60,754,257	51,659,022	93,955,338	86,052,489

Notes to the interim condensed consolidated financial information (continued)

13 Related party transactions

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

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

	31 March 2015 (Unaudited)	31 Dec. 2014 (Audited)	31 March 2014 (Unaudited)
	KD	KD	KD
Amounts included in interim condensed consolidated statement of financial position			
Due from ultimate parent company (included in accounts receivable and other assets)	1,358,892	347,016	261,357
Due from other related companies (included in accounts receivable and other assets)	9,023	9,023	9,023
Due from associate (included in accounts receivable and other assets)	2,596,682	1,724,149	1,759,952
Due to other related companies (non-controlling interests)	2,434,894	2,371,163	2,283,321
		Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Transactions included in interim condensed consolidated statement of profit or loss			
<i>Compensation of key management personnel of the parent company</i>			
Short term employee benefits		67,395	63,939
End of service benefits		12,525	11,689
Share based payment		118,617	89,251
		198,537	164,879

14 Commitments and contingent liabilities

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Capital commitments	2,821	2,821	2,821
Letters of guarantee	4,289,889	4,289,889	4,109,164
Letters of guarantee from ultimate parent company	200,000	200,000	200,000
	4,492,710	4,492,710	4,311,985

Notes to the interim condensed consolidated financial information (continued)

15 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2014.

16 Fair value measurement

16.1 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).

16.2 Fair value measurement of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
- Cash and bank balances	6,684,909	8,422,117	4,294,879
- Fixed deposits	7,725,000	3,725,000	900,000
- Accounts receivable and other assets	13,036,765	10,970,349	11,539,199
Investments at fair value through profit or loss at fair value:			
Investments at fair value through profit or loss	2,243,007	2,389,376	3,650,232
Available for sale investments:			
Available for sale investments at fair value	33,766,151	34,447,477	31,848,556
Available for sale investments at cost	630,339	630,339	630,339
Murabaha investment	2,985,714	2,987,143	2,991,429
	67,071,885	63,571,801	55,854,634
Financial liabilities:			
Financial liabilities at amortised cost:			
Term loans	-	102,446	1,002,446
Accounts payable and other liabilities	13,921,907	12,567,132	12,835,829
Murabaha payables	414,793	629,380	2,415,401
	14,336,700	13,298,958	16,253,676

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.2 Fair value measurement of financial instruments (continued)

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.

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

31 March 2015 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through profit or loss</i>				
Quoted equity securities	536,001	-	-	536,001
Managed funds and portfolios	-	1,707,006	-	1,707,006
<i>Available for sale investments:</i>				
Local quoted securities	12,090,713	-	-	12,090,713
Local unquoted securities	-	-	6,724,590	6,724,590
Foreign quoted securities	1,605,781	-	-	1,605,781
Foreign unquoted securities	-	-	13,345,066	13,345,066
Net fair value	14,232,495	1,707,006	20,069,656	36,009,157

31 December 2014 (Audited)

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

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.2 Fair value measurement of financial instruments (continued)

31 March 2014 (Unaudited)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through profit or loss</i>					
Quoted equity securities		669,658	-	-	669,658
Managed funds and portfolios		-	2,980,574	-	2,980,574
<i>Available for sale investments:</i>					
Local quoted securities		14,711,289	-	-	14,711,289
Local unquoted securities		-	-	6,963,870	6,963,870
Foreign quoted securities		2,078,768	-	-	2,078,768
Foreign unquoted securities		-	-	11,716,397	11,716,397
Net fair value		17,459,715	2,980,574	18,680,267	39,120,556

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.

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:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Opening balance	20,094,419	18,623,505	18,623,505
Gains or losses recognised in:			
- Consolidated statement of profit or loss	-	(1,308,474)	-
- Other comprehensive income	(24,763)	2,773,828	55,450
Purchases	-	5,560	1,312
Reclassification to level 3	-	-	-
Sales	-	-	-
Closing balance	20,069,656	20,094,419	18,680,267

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.

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

For financial instruments carried at amortised cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counter parties.

The impact on interim condensed consolidated statement of income 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%.