Consolidated financial statements and independent auditors' report

National Industries Company – KPSC and Subsidiaries

Kuwait

31 December 2014

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 2014, and the consolidated statement of income, consolidated statement of 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 2014, 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. 25 of 2012 and its executive regulation, and by the Parent Company's articles and memorandum 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 No. 25 of 2012 nor of the Parent Company's and its executive regulation, articles and memorandum of association, as amended, have occurred during the year that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2014.

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
8 March 2015

Consolidated statement of income

	Notes	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue			
Revenue from sales and services	8	47,644,172	44,660,085
Cost of sales and services		(34,674,677)	(33,841,563)
Gross profit		12,969,495	10,818,522
Other operating income		210,588	271,956
Share of results of associates	12	258,261	(2,015,919)
Gain from sale of land	11	-	1,693,433
Investment income	9	664,267	772,099
Foreign exchange gain		88,113	16,319
		14,190,724	11,556,410
Expenses and other changes			
Distribution expenses		(1,868,533)	(1,336,413)
General, administrative and other expenses		(2,989,243)	(3,118,342)
Finance costs		(119,118)	(323,756)
Provision for doubtful debts	16	(2,413)	(770,510)
Impairment of available for sale investments	13	(1,376,018)	(5,287,571)
Impairment of investment in associate	12	-	(117,960)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		7,835,399	601,858
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(65,778)	(4,894)
Provision for National Labour Support Tax (NLST)		(188,357)	(18,798)
Provision for Zakat		(71,468)	(7,519)
Provision for Directors' remuneration		(150,000)	-
Profit for the year		7,359,796	570,647
Attributable to :			
Owners of the parent company		7,359,730	512,572
Non-controlling interests		66	58,075
Profit for the year		7,359,796	570,647
Basic and diluted earnings per share attributable to the owners of the parent company	10	21.14 Fils	1.48 Fils

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

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Profit for the year	**7,359,796**	570,647
Other comprehensive income:		
Items that will be reclassified subsequently to the statement of income:		
Available for sale investments:		
- Net change in fair value arising during the year	**17,470**	(2,778,745)
- Transferred to consolidated statement of income on impairment	**1,376,018**	5,287,571
Exchange differences from translation of foreign operations	**132,966**	28,901
Share of other comprehensive income of associates	**2,308**	59,921
Total other comprehensive income	**1,528,762**	2,597,648
Total comprehensive income for the year	**8,888,558**	3,168,295
Total comprehensive income attributable to:		
Owners of the parent company	**8,824,300**	3,107,066
Non-controlling interests	**64,258**	61,229
	8,888,558	3,168,295

Consolidated statement of financial position

	Notes	31 Dec. 2014 KD	31 Dec. 2013 KD
Assets			
Non-current assets			
Property, plant and equipment	11	**27,933,591**	29,749,384
Investment in associates	12	**3,062,174**	2,753,183
Available for sale investments	13	**38,064,959**	38,047,643
		69,060,724	70,550,210
Current assets			
Inventories and spare parts	14	**16,380,813**	17,116,416
Investments at fair value through statement of income	15	**2,389,376**	3,954,455
Accounts receivable and other assets	16	**10,970,349**	11,483,018
Fixed deposits	24	**3,725,000**	650,000
Cash and bank balances		**8,422,117**	3,277,423
		41,887,655	36,481,312
Total assets		**110,948,379**	107,031,522
Equity and liabilities			
Equity			
Share capital	17	**34,675,783**	34,650,793
Share premium	17	**32,020,653**	31,995,663
Treasury shares	18	**(6,440)**	(6,440)
Legal reserve	19	**3,825,928**	3,042,395
Voluntary reserve	19	**2,243,107**	1,459,574
Staff bonus shares reserve		**296,482**	163,578
Other components of equity	20	**9,987,809**	8,523,239
Retained earnings		**6,301,688**	509,024
Total equity attributable to the owners of the parent company		**89,345,010**	80,337,826
Non-controlling interests		**2,853,111**	2,788,853
Total equity		**92,198,121**	83,126,679
Liabilities			
Non-current liabilities			
Provision for land-fill expenses		**724,148**	716,991
Provision for employees' end of service benefits		**4,727,152**	4,436,104
		5,451,300	5,153,095
Current liabilities			
Murabaha payable	22	**629,380**	5,043,516
Term loan	21	**102,446**	1,902,446
Accounts payable and other liabilities	23	**12,567,132**	11,805,786
		13,298,958	18,751,748
Total liabilities		**18,750,258**	23,904,843
Total equity and liabilities		**110,948,379**	107,031,522

Abdul Aziz Ibrhaim Al-Rabia
Chairman

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

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

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 2013 (as previously reported)	34,620,187	31,923,740	(6,440)	2,988,017	1,405,196	-	5,928,745	4,254,020	81,113,465	1,655,224	82,768,689
Effect of IFRS 10 adoption	-	-	-	-	-	-	-	-	-	1,072,400	1,072,400
Balance at 1 January 2013 (restated)	34,620,187	31,923,740	(6,440)	2,988,017	1,405,196	-	5,928,745	4,254,020	81,113,465	2,727,624	83,841,089
Dividend paid (note 26)	-	-	-	-	-	-	-	(4,148,812)	(4,148,812)	-	(4,148,812)
Cost of share based payments (note 17)	-	-	-	-	-	266,107	-	-	266,107	-	266,107
Issue of staff bonus shares (note 17)	30,606	71,923	-	-	-	(102,529)	-	-	-	-	-
Transactions with owners	30,606	71,923	-	-	-	163,578	-	(4,148,812)	(3,882,705)	-	(3,882,705)
Profit for the year	-	-	-	-	-	-	-	512,572	512,572	58,075	570,647
Other comprehensive income for the year	-	-	-	-	-	-	2,594,494	-	2,594,494	3,154	2,597,648
Total comprehensive income for the year	-	-	-	-	-	-	2,594,494	512,572	3,107,066	61,229	3,168,295
Transfer to reserves	-	-	-	54,378	54,378	-	-	(108,756)	-	-	-
Balance at 31 December 2013	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

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

Consolidated statement of cash flows

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
OPERATING ACTIVITIES		
Profit for the year	**7,359,796**	570,647
Adjustments:		
Depreciation of property, plant and equipment	**3,545,975**	3,988,792
Loss on write off of property, plant and equipment	**30,606**	44,789
Gain on sale of land	**-**	(1,693,433)
Loss on sale of available for sale investments	**-**	873,912
Share of results of associates	**(258,261)**	2,015,919
Impairment of investment in associate	**-**	117,960
Impairment of available for sale investments	**1,376,018**	5,287,571
Dividend income from available for sale investments	**(708,201)**	(835,245)
Income from short term murabaha	**(167,196)**	(192,180)
Cost of share based payment	**182,884**	266,107
Interest income	**(33,515)**	(3,769)
Finance costs	**119,118**	323,756
Foreign exchange loss on non operating assets and liabilities	**(138,541)**	(12,079)
Provision for doubtful debts	**2,413**	770,510
Provision for land-fill expenses	**7,157**	7,420
Provision for employees' end of service benefit	**674,287**	618,033
	11,992,540	12,148,710
Changes in operating assets and liabilities:		
Inventories and spare parts	**735,603**	(1,572,691)
Investments at fair value through statement of income	**1,565,079**	(462,335)
Accounts receivable and other assets	**466,415**	(1,204,888)
Accounts payable and other liabilities	**795,020**	525,378
Cash from operations	**15,554,657**	9,434,174
Employees' end of service benefit paid	**(383,239)**	(629,928)
Net cash from operating activities	**15,171,418**	8,804,246

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

Consolidated statement of cash flows (continued)

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,493,862)	(4,225,290)
Proceeds from sale of land	-	2,271,679
Purchase of available for sale investments	(5,560)	(68,422)
Proceeds on redemption/sale of available for sale investments	5,714	1,067,641
Dividend income received from available for sale investments	708,201	835,245
Fixed deposits	(3,075,000)	(500,000)
Income received from short term murabaha	167,196	192,180
Interest income received	33,515	3,769
Net cash used in investing activities	(3,659,796)	(423,198)
FINANCING ACTIVITIES		
Repayment of murabaha payable	(5,426,337)	(12,568,352)
Proceeds from murabaha payables	1,012,201	10,955,819
Repayment of term loans	(1,800,000)	(5,341,250)
Finance costs paid	(119,118)	(323,756)
Dividends paid	(33,674)	(4,145,581)
Net cash used in financing activities	(6,366,928)	(11,423,120)
Net increase/(decrease) in cash and cash equivalents	5,144,696	(3,042,072)
Cash and cash equivalents at beginning of the year	3,277,423	6,319,495
Cash and cash equivalents at end of the year	8,422,117	3,277,423

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

The notes set out on pages 10 to 51 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 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 these consolidated financial statements for issuance on 8 March 2015. 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 income statement 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.

Notes to the consolidated financial statements (continued)

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).

4 Changes in accounting policies

The accounting policies adopted in the preparation of the group's consolidated financial statements are consistent with those used in previous year except as discussed below:

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 2014. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
IFRIC 21 Levies	1 January 2014

IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

IAS 36 Impairment of Assets - Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

The amendments have been applied retrospectively in accordance with their transitional provisions.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments

The Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The adoption of the amendments did not result into any material impact on the group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

IFRIC 21 Levies
IFRIC 21 clarifies that:

a) the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date
b) the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 is required to be applied retrospectively in accordance with its transitional provisions and had no material effect on the consolidated financial statements for any period presented.

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 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 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 2017
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
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 19 Defined Benefit Plans: Employee Contributions - Amendments	1 July 2014
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 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

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 has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting.

The group's management has yet to assess the impact of this new standard on the group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue–related Interpretations 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
- 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 arrangements.

The group's management has yet to assess the impact of IFRS 15 on these consolidated 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 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.

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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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.

The groups' management has yet to assess the impact of these new standards on the group's consolidated financial statements.

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 is not expected to have any material impact to the group's consolidated financial statements.

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.

The groups' management has yet to assess the impact of this new standard on the group's consolidated financial statements.

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.

The groups' management has yet to assess the impact of these new standards on the group's consolidated 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)

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 condensed interim 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

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 consolidated statement of income.

(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 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.

(v) 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.

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.

Notes to the consolidated financial statements (continued)

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.

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 income.

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 income.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.2 Business combinations (continued)

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.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.4 Revenue (continued)

5.4.2 Construction contracts (continued)
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 income.

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).

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.7 Taxation (continued)

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.

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 income.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.9 Investment in associates (continued)

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 income.

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.

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 income.

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

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 statement of income (FVTSI)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTSI 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.

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 FVTSI**

Classification of investments as financial assets at FVTSI 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 FVTSI 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.

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**

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 income statement.

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 income statement***

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 income statement 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

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.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

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.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.15 Foreign currency translation (continued)

5.15.3 Foreign operations (continued)
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

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 income expense 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.

Notes to the consolidated financial statements (continued)

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.

Classification of financial assets as fair value through income statement 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 income statement.

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 income.

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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (conintued)

6.2 Estimates uncertainty (continued)

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 income.

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. 2014 %	31 Dec. 2013 %	
Building Systems Industries Company – WLL	Kuwait	98	98	Construction and contracting
National Industries Company for Ceramic - KSCC	Kuwait	60	60	Manufacturing
Saudi Insulation Bricks Company –WLL	Saudi Arabia	50	50	Manufacturing

The group has consolidated Building Systems Industries Company-WLL using 30 November 2014 audited financial statements.

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

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. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Saudi Insulation Bricks Company – WLL	50%	50%	4,033	668,791	1,812,570	1,744,345
National Industries Company for Ceramic - KSCC	40%	40%	(3,967)	(610,716)	1,040,541	1,044,508

No dividends were paid to the NCI during the years 2014 and 2013.

a) Saudi Insulation Bricks Company –WLL

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

	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	7,373,544	7,253,397
Current assets	1,389,517	1,340,742
Total assets	8,763,061	8,594,139
Non-current liabilities	58,955	38,490
Current liabilities	5,078,966	5,066,959
Total liabilities	5,137,921	5,105,449
Equity attributable to the shareholders of the parent company	1,812,570	1,744,345
Non-controlling interests	1,812,570	1,744,345
Total equity	3,625,140	3,488,690

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. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue	3,439,998	3,042,225
Profit for the year attributable to the shareholders of the parent company	4,033	668,790
Profit for the year attributable to NCI	4,033	668,791
Profit for the year	8,066	1,337,581
Other comprehensive income for the year attributable to the shareholders of the parent company	64,193	3,155
Other comprehensive income for the year attributable to NCI	64,192	3,154
Total other comprehensive income for the year	128,385	6,309
Total comprehensive income for the year attributable to the shareholders of the parent company	68,226	671,945
Total comprehensive income for the year attributable to NCI	68,225	671,945
Total comprehensive income for the year	136,451	1,343,890
Net cash flow from operating activities	231,614	1,549,640
Net cash flow used in investing activities	(342,557)	(1,320,669)
Net cash flow (used in)/from financing activities	-	(180,142)
Net cash inflow	(110,943)	48,829

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. 2014 KD	31 Dec. 2013 KD
Non-current assets	17,416,363	16,985,198
Current assets	7,417,607	5,441,958
Total assets	24,833,970	22,427,156
Non-current liabilities	110,140	74,587
Current liabilities	24,268,367	19,741,298
Total liabilities	24,378,507	19,815,885
Equity attributable to the shareholders of the parent company	273,278	1,566,763
Non-controlling interests	182,185	1,044,508
Total equity	455,463	2,611,271

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. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue	**5,969,587**	1,862,523
Loss for the year attributable to the shareholders of the parent company	**(630,335)**	(916,073)
Loss for the year attributable to NCI	**(420,223)**	(610,716)
Loss for the year	**(1,050,558)**	(1,526,789)
Total comprehensive loss for the year attributable to the shareholders of the parent company	**(630,335)**	(916,073)
Total comprehensive loss for the year attributable to NCI	**(420,223)**	(610,716)
Total comprehensive loss for the year	**(1,050,558)**	(1,526,789)
Net cash flow from operating activities	**1,296,213**	1,350,660
Net cash flow from/(used in) investing activities	**465,177**	(978,701)
Net cash flow from financing activities	**155,359**	-
Net cash inflow	**1,916,749**	371,959

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. 2014 KD	Year ended 31 Dec. 2013 KD
Sale of building and infrastructure materials	**46,670,326**	42,771,211
Contracting revenue	**973,846**	1,888,874
	47,644,172	44,660,085

Notes to the consolidated financial statements (continued)

9 Investment income

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loss on sale of available for sale investments	-	(873,912)
Dividend income from available for sale investments	708,201	835,245
Dividend income from investments at fair value through statement of income	102,881	51,123
(Loss)/profit from investments at fair value through statement of income	(347,526)	492,426
Income from short term murabaha	167,196	192,180
Interest and other income	33,515	75,037
	664,267	772,099

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. 2014	Year ended 31 Dec. 2013
Profit for the year attributable to the owners of the parent company (KD)	7,359,730	512,572
Weighted average number of shares outstanding during the year (excluding treasury shares)	346,708,630	346,386,191
Shares to be issued for no consideration under share based payments	1,459,457	651,713
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	348,168,087	347,037,904
Basic and diluted earnings per share	21.14 Fils	1.48 Fils

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

31 December 2014	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	1,366,717	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

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment (continued)

31 December 2013	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 (as previously reported)	-	29,095,035	43,638,935	10,526,179	4,783,023	4,582,457	92,625,629
Effect of IFRS10 adoption	-	2,203,476	6,252,745	83,469	44,870	-	8,584,560
At 1 January (restated)	-	31,298,511	49,891,680	10,609,648	4,827,893	4,582,457	101,210,189
Additions/transfers	1,944,963	2,918,499	939,597	545,763	324,278	(2,447,810)	4,225,290
Write-off/disposals	(578,246)	(131,151)	(1,181,855)	(402,476)	(379,143)	-	(2,672,871)
Foreign currency adjustments	-	6,483	18,396	246	132	-	25,257
At 31 December	1,366,717	34,092,342	49,667,818	10,753,181	4,773,160	2,134,647	102,787,865
Accumulated depreciation							
At 1 January (as previously reported)	-	22,396,253	33,152,720	8,768,455	4,440,361	-	68,757,789
Effect of IFRS10 adoption	-	335,226	1,939,610	51,799	8,232	-	2,334,867
At 1 January (restated)	-	22,731,479	35,092,330	8,820,254	4,448,593	-	71,092,656
Charge for the year	-	637,041	2,438,752	706,648	206,351	-	3,988,792
Relating to write- off/disposals	-	(130,164)	(1,158,258)	(386,297)	(375,117)	-	(2,049,836)
Foreign currency adjustments	-	986	5,706	152	25	-	6,869
At 31 December	-	23,239,342	36,378,530	9,140,757	4,279,852	-	73,038,481
Net book value							
At 31 December	1,366,717	10,853,000	13,289,288	1,612,424	493,308	2,134,647	29,749,384

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 year, 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. Furthermore, during the prior year one of the group's subsidiaries sold land with carrying value of KD578,246, for total consideration of KD2,271,679. Consequently, a gain of KD1,693,433 was recognized in the consolidated statement of income.

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. 2014	31 Dec. 2013	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	Bahrain	**50%**	50%	Contracting
United Gulf Pipes Factory – LLC	Oman	**30%**	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. 2014 KD	31 Dec. 2013 KD
Balance at beginning of the year (restated)	**2,753,183**	4,767,709
Share of results of associates	**258,261**	(2,015,919)
Losses adjusted to due from associate	**43,841**	36,840
Impairment of investment in an associate	**-**	(117,960)
Share of other comprehensive income	**2,308**	59,921
Foreign exchange translation	**4,581**	22,592
	3,062,174	2,753,183

As a result of the impairment testing of the carrying value of the investment in associates, the group recognised an impairment loss of KD Nil (2013: KD117,960).

In accordance with IAS 28, the group reduced its investment in Insulation System Factory - WLL to zero and discontinued to recognise its share of losses in accordance with consolidated statement of income. The group's share of unrecognised losses of KD43,841 (2013: KD36,840) were charged against due from associate since the receivable amount is considered as part of its net investment in associate.

If the investee company subsequently reports profits, the group will resume recognising its share of these profits only after its share of the profits equal the share of losses not recognised.

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:

Al-Raya Global Real Estate Co. – KSCC:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	16,177,512	15,324,867
Current assets	4,191,828	3,566,358
Total assets	20,369,340	18,891,225
Non-current liabilities	1,355,620	85,254
Current liabilities	6,037,435	7,778,803
Total liabilities	7,393,055	7,864,057
Net assets	12,976,285	11,027,168

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue	2,648,018	(2,107,046)
Profit/(loss) for the year	1,937,580	(5,322,150)
Other comprehensive income for the year	11,540	299,605
Total comprehensive income/(loss) for the year	1,949,120	(5,022,545)

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. 2014	Year ended 31 Dec. 2013
Group's ownership interest	20%	20%
Net assets of the associate (KD)	12,976,285	11,027,168
Group's share of net assets (KD)	2,595,257	2,205,433
Carrying amount (KD)	2,595,257	2,205,433

The group has accounted for its share of result of the associate using 30 September 2014 reviewed financial statements.

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 unaudited management accounts as at 31 December 2014 and 2013.

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Group's share of the profits and losses	(129,255)	(71,819)
Group's share of other comprehensive profit	4,581	-
Group's share of total comprehensive loss	(124,674)	(71,819)
Aggregate carrying amount of group's interest in these associates	466,917	547,750

13 Available for sale investments

	31 Dec. 2014 KD	31 Dec. 2013 KD
Local quoted securities	12,612,118	13,358,170
Local unquoted securities	6,749,352	6,908,420
Foreign quoted securities	1,740,940	2,442,772
Foreign unquoted securities	13,975,406	12,345,424
Murabaha investment	2,987,143	2,992,857
	38,064,959	38,047,643

During the year, the parent company recognised an impairment loss of KD1,376,018 (2013: KD5,287,571) against certain investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

Murabaha 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. The investment carries effective profit rate of 5% and matures on 10 August 2015 and is carried at cost.

14 Inventories and spare parts

	31 Dec. 2014 KD	31 Dec. 2013 KD
Raw materials	8,313,023	9,901,281
Finished goods and work-in-progress	5,201,864	4,697,909
Spare parts	3,218,532	2,960,652
Goods in transit	413,065	322,245
	17,146,484	17,882,087
Provision for obsolete and slow moving items	(765,671)	(765,671)
	16,380,813	17,116,416

Notes to the consolidated financial statements (continued)

15 Investments at fair value through statement of income

	31 Dec. 2014 KD	31 Dec. 2013 KD
Designated on initial recognition:		
Managed funds and portfolios	**1,841,848**	3,317,731
Quoted equity securities	**547,528**	636,724
	2,389,376	3,954,455

16 Accounts receivable and other assets

	31 Dec. 2014 KD	31 Dec. 2013 KD
Trade receivables	**8,285,792**	8,256,667
Provision for doubtful debts	**(1,022,923)**	(1,020,510)
	7,262,869	7,236,157
Due from ultimate parent company	**347,016**	251,699
Due from associates	**1,724,149**	1,735,158
Due from related companies	**9,023**	9,023
Staff receivables	**174,536**	165,768
Prepayments	**342,102**	424,916
Advances to contractors	**152,076**	384,797
Retentions	**670,050**	643,509
Accrued income and other assets	**288,528**	631,991
	10,970,349	11,483,018

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. 2014 KD	31 Dec. 2013 KD
Neither past due nor impaired	**4,884,413**	4,384,048
Past due but not impaired		
- 3 – 6 months	**2,378,456**	2,852,109
Impaired		
- over 6 months	**1,022,923**	1,020,510
Total trade receivables	**8,285,792**	8,256,667

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2014, trade receivables of KD2,378,456 (2013: KD2,852,109) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

During the year the group recognised provision for doubtful debts amounting to KD2,413 (2013: KD770,510).

Notes to the consolidated financial statements (continued)

17 Share capital and share premium

	31 Dec. 2014 KD	31 Dec. 2013 KD
Shares of KD0.100 each		
- Authorised	35,320,187	35,320,187
- Issued and fully paid	34,675,783	34,650,793

During the year, the parent company issued 249,901 shares (2013: 306,056 shares) under the staff share based payment scheme (Note 27) at KD0.200 (2013: 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. 2014	31 Dec. 2013
Number of shares	19,932	19,932
Percentage of issued shares	0.01%	0.01%
Cost of treasury shares (KD)	6,440	6,440
Market value (KD)	4,146	3,827

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 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 change in fair value arising during the year	17,470	-	17,470
- Transferred to consolidated statement of income 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
Balance at 1 January 2013	5,992,952	(64,207)	5,928,745
Exchange differences on translation of foreign operations	-	25,747	25,747
Share of other comprehensive income of associates	56,289	3,632	59,921
Available for sale investments:			
- Net loss arising during the year	(2,778,745)	-	(2,778,745)
- Transferred to consolidated statement of income on impairment	5,287,571	-	5,287,571
Total other comprehensive income for the year	2,565,115	29,379	2,594,494
Balance at 31 December 2013	8,558,067	(34,828)	8,523,239

21 Term loans

	Interest rate	31 Dec. 2014 KD	31 Dec. 2013 KD
Loan facility – Kuwait Dinar	3.5%	102,446	1,902,446

22 Murabaha payables

These represent murabaha facilities obtained from local financial institutions carrying an average effective profit rate of 4.00% (2013: 4.00%) per annum.

Notes to the consolidated financial statements (continued)

23 Accounts payable and other liabilities

	31 Dec. 2014 KD	31 Dec. 2013 KD
Trade payables	6,680,308	7,270,457
Due to other related companies (non-controlling interest)	2,371,163	1,151,163
Staff payables	163,029	391,749
Provision for staff leave	822,109	707,881
Accrued expenses	1,429,663	1,426,443
Due to customers for contract works	377,018	47,257
Other liabilities	723,842	810,836
	12,567,132	11,805,786

24 Fixed deposits

Fixed deposits carry average interest rate of 1.8% (2013: 1.5%) per annum and mature within one year of financial position date.

Notes to the consolidated financial statements (continued)

25 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. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Segment revenue	47,644,172	44,660,085	664,267	772,099	48,308,439	45,432,184
Loss from investments	-	-	(1,376,018)	(5,287,571)	(1,376,018)	(5,287,571)
Share of results of associates	-	-	258,261	(2,015,919)	258,261	(2,015,919)
Impairment of investment in associate	-	-	-	(117,960)	-	(117,960)
					47,190,682	38,010,734
Segment results	8,319,894	7,558,646	(453,490)	(6,649,351)	7,866,404	909,295
Unallocated expenses					(506,608)	(338,648)
Profit for the year, per consolidated statement of income					7,359,796	570,647
Depreciation	3,545,975	3,988,792	-	-	3,545,975	3,988,792
Provision for doubtful debts	2,413	770,510	-	-	2,413	770,510
Impairment of available for sale investments	-	-	1,376,018	5,287,571	1,376,018	5,287,571
Assets	53,213,588	56,361,961	57,734,791	50,669,561	110,948,379	107,031,522
Liabilities	(18,647,812)	(22,002,397)	(102,446)	(1,902,446)	(18,750,258)	(23,904,843)
	34,565,776	34,359,564	57,632,345	48,767,115	92,198,121	83,126,679

Notes to the consolidated financial statements (continued)

26 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 2014 a cash dividend of 15 Fils (2013: Nil 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 13 May 2014 approved the consolidated financial statements for the year ended 31 December 2013 and the directors' proposal not to distribute any dividends for the year then ended.

27 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 KD 182,884 (2013: KD266,107) during the year. The carrying amount of the liability relating to the plan at 31 December 2014 was KD 132,904 (2013: KD163,578) shown under staff bonus reserve in equity.

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

	31 Dec 2014 Share options	31 Dec 2014 WAEP	31 Dec 2013 Share options	31 Dec 2013 WAEP
	Number	KD	Number	KD
Opening balance	651,713	0.335	-	-
Granted during the year	1,057,645	0.200	957,769	0.335
Exercised during the year	(249,901)	0.200	(306,056)	0.335
Outstanding at 31 December	1,459,457	0.268	651,713	0.335
Exercisable at 31 December	311,254	0.268	182,222	0.335

28 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)

28 Related party transactions (continued)

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

	31 Dec. 2014 KD	31 Dec. 2013 KD
Amounts included in the consolidated financial position:		
Due from ultimate parent company (note 16)	347,016	251,699
Due from associates (note 16)	1,724,149	1,735,158
Due from other related companies (note 16)	9,023	9,023
Due to other related companies (non-controlling interests) (note 23)	2,371,163	1,151,163

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Transactions included in the consolidated statement of income:		
Interest income	3,765	2,779
Gain on sale of land (non-controlling interests)	-	1,693,433
Purchase of raw materials (associate)	-	342,078
Compensation of key management personnel of the parent company		
Directors' fees	150,000	-
Short term benefits	243,897	181,397
End of service benefits	35,988	34,876
Cost of share based payments	89,251	198,590
	519,136	414,863

29 Commitments and contingent liabilities

	31 Dec. 2014 KD	31 Dec. 2013 KD
Capital commitments	2,821	2,821
Letters of guarantee	4,289,889	3,407,356
Letters of guarantee from ultimate parent company	200,000	200,000
	4,492,710	3,610,177

30 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.

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.

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.1 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. 2014 KD	31 Dec. 2013 KD
US Dollar	**13,068,638**	10,741,494
UAE Dirhams	**861,828**	1,510,946
Jordanian Dinar	**252,791**	166,287
Saudi Riyal	**6,271,224**	7,344,621
Bahraini Dinar	**1,570,569**	1,671,952
Omani Riyal	**1,369,809**	1,691,160
Pound Sterling	**615,176**	627,461

The foreign currency sensitivity is determined assuming 5% (2013: 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. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
US Dollar	**±37,800**	± 36,039	**±615,632**	± 501,035
Other currencies	**±324,708**	± 350,542	**±223,094**	± 300,079

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)

30 Risk management objectives and policies (continued)

30.1 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%) (2013: +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. 2014		31 Dec. 2013	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Profit for the year	61,303	(61,303)	(33,031)	33,031

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 statement of income 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. 2014	31 Dec. 2013
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. 2014 KD	31 Dec. 2013 KD	31 Dec. 2014 KD	31 Dec. 2013 KD
Financial assets at fair value through statement of income	119,469	197,723	-	-
Available-for-sale investments	-	-	804,700	912,186
Total	119,469	197,723	804,700	912,186

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.2 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. 2014 KD	31 Dec. 2013 KD
Bank balances	8,356,880	3,022,983
Fixed deposits	3,725,000	650,000
Accounts receivable and other assets	10,619,480	11,058,102
Murabaha investment	2,987,143	2,992,857
Available for sale investments	35,077,816	35,054,786
Investments at fair value through statement of income	2,389,376	3,954,455
	63,155,695	56,733,183

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 32% (2013: 26%) of the total trade receivables.

30.3 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 undiscounted 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 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
As at 31 December 2013					
Term loans	-	943,103	1,121,580	-	2,064,683
Murabaha payables	-	2,761,434	2,282,082	-	5,043,516
Accounts payable and other liabilities	2,411,358	4,094,371	5,300,057	-	11,805,786
	2,411,358	7,798,908	8,703,719	-	18,913,985

Notes to the consolidated financial statements (continued)

31 Fair value measurement

31.1 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).

31.2 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. 2014 KD	31 Dec. 2013 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Cash and cash equivalents	8,422,117	3,277,423
- Fixed deposits	3,725,000	650,000
- Accounts receivable and other assets	10,970,349	11,483,018
Investments at fair value through statement of income:		
Investments at fair value through statement of income	2,389,376	3,954,455
Available for sale investments at fair value:		
Available for sale investments	34,447,477	34,424,447
	59,954,319	53,789,343
Financial liabilities:		
Financial liabilities at amortised cost:		
Term loans	102,446	1,902,446
Accounts payable and other liabilities	12,567,132	11,805,786
Murabaha payables	629,380	5,043,516
	13,298,958	18,751,748

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)

31 Fair value measurement (continued)

31.2 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 2014		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Financial assets designated at fair value through statement of income					
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

31 December 2013		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Financial assets designated at fair value through statement of income					
Quoted securities	a	636,724	-	-	636,724
Managed funds and portfolios	b	-	3,317,731	-	3,317,731
Available for sale investments					
Local quoted securities	b	13,358,170	-	-	13,358,170
Local unquoted securities	c	-	-	6,908,420	6,908,420
Foreign quoted securities	b	2,442,772	-	-	2,442,772
Foreign unquoted securities	c	-	-	11,715,085	11,715,085
		16,437,666	3,317,731	18,623,505	38,378,902

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)

31 Fair value measurement (continued)

31.2 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	Unquoted securities
	31 Dec. 2014 KD	31 Dec. 2013 KD
Opening balance	18,623,505	24,794,737
Gains or losses recognised in:		
- Consolidated statement of income	(1,308,474)	(5,906,796)
- Other comprehensive income	2,773,828	181,161
Purchases	5,560	7,509
Reclassification to Level 3	-	608,820
Sales	-	(1,061,926)
Closing balance	20,094,419	18,623,505

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 statement of income:

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)

31 Fair value measurement (continued)

31.2 Fair value measurement of financial instruments (continued)

Available for sale investments and investment at fair value through statement of income: (continued)
Gains or losses recognized in the consolidated statement of income for the year are included in loss on sale of investments at fair value through statement of income, change in fair value of investments at fair value through statement of income and 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 income, total assets, total liabilities or total equity.

The impact on 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%.

32 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. 2014 KD	31 Dec. 2013 KD
Profit for the year attributable to the owners of the parent company	7,359,730	512,572
Total equity	89,345,010	80,337,826
Return on equity	8.24%	0.64%