

Consolidated financial statements and independent auditors' report
National Industries Company – KPSC and Subsidiaries
Kuwait

31 December 2013

Contents

	Page
Independent auditors' report	1 and 2
Consolidated statement of income	3
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6 and 7
Consolidated statement of cash flows	8 and 9
Notes to the consolidated financial statements	10 to 54

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, which comprise the consolidated statement of financial position as at 31 December 2013, 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 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 2013, 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 Company and the consolidated financial statements, together with the contents of the report of the 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 by the 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 Company's 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 Company.



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



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

Kuwait
27 March 2014

Consolidated statement of income

	Notes	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
Revenue			
Revenue from sales and services	8	44,660,085	43,463,261
Cost of sales and services		(33,841,563)	(31,478,688)
Gross profit		10,818,522	11,984,573
Other operating income	9	271,956	717,897
Share of results of associates	13	(2,015,919)	(467,267)
Gain from sale of land	12	1,693,433	-
Investment income	10	772,099	363,775
Foreign exchange gain		16,319	3,532
		11,556,410	12,602,510
Expenses and other changes			
Distribution expenses		(1,336,413)	(1,002,457)
General, administrative and other expenses		(3,118,342)	(3,507,838)
Finance costs		(323,756)	(541,024)
Provision for doubtful debts	17	(770,510)	(250,000)
Impairment of available for sale investments	14	(5,287,571)	(2,336,905)
Impairment of investment in associate	13	(117,960)	(250,000)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		601,858	4,714,286
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(4,894)	(47,715)
Provision for National Labour Support Tax (NLST)		(18,798)	(137,988)
Provision for Zakat		(7,519)	(55,195)
Provision for Directors' remuneration		-	(35,000)
Profit for the year		570,647	4,438,388
Attributable to :			
Owners of the parent company		512,572	5,025,725
Non-controlling interests		58,075	(587,337)
Profit for the year		570,647	4,438,388
Basic and diluted earnings per share attributable to the owners of the parent company	11	1.48 Fils	14.55 Fils

The notes set out on pages 10 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
Profit for the year	570,647	4,438,388
Other comprehensive income:		
<i>Items that will be reclassified subsequently to the statement of income:</i>		
Available for sale investments:		
- Net change in fair value arising during the year	(2,778,745)	(1,362,612)
- Transferred to consolidated statement of income on impairment	5,287,571	2,336,905
- Transferred to consolidated statement of income on sale	-	(59,768)
Exchange differences from translation of foreign operations	28,901	29,278
Share of other comprehensive income of associates	59,921	23,143
Total other comprehensive income	2,597,648	966,946
Total comprehensive income for the year	3,168,295	5,405,334
Total comprehensive income attributable to:		
Owners of the parent company	3,107,066	5,980,010
Non-controlling interests	61,229	(574,676)
	3,168,295	5,405,334

The notes set out on pages 10 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD	(Restated) 1 Jan. 2012 KD
Assets				
Non-current assets				
Property, plant and equipment	12	29,749,384	30,117,533	33,279,435
Investment in associates	13	2,753,183	4,767,709	5,540,677
Available for sale investments	14	38,047,643	42,699,519	41,274,261
		70,550,210	77,584,761	80,094,373
Current assets				
Inventories and spare parts	15	17,116,416	15,543,725	12,395,643
Investments at fair value through statement of income	16	3,954,455	3,492,120	4,181,001
Accounts receivable and other assets	17	11,483,018	11,085,480	12,585,273
Fixed deposits	25	650,000	150,000	150,000
Cash and bank balances		3,277,423	6,319,495	2,906,172
		36,481,312	36,590,820	32,218,089
Total assets		107,031,522	114,175,581	112,312,462
Equity and liabilities				
Equity				
Share capital	18	34,650,793	34,620,187	34,620,187
Share premium	18	31,995,663	31,923,740	31,923,740
Treasury shares	19	(6,440)	(6,440)	(570,630)
Legal reserve	20	3,042,395	2,988,017	2,457,855
Voluntary reserve	20	1,459,574	1,405,196	875,034
Staff bonus shares reserve		163,578	-	-
Other components of equity	21	8,523,239	5,928,745	5,010,828
Retained earnings		509,024	4,254,020	3,809,672
Total equity attributable to the owners of the parent company		80,337,826	81,113,465	78,126,686
Non-controlling interests		2,788,853	2,727,624	3,302,300
Total equity		83,126,679	83,841,089	81,428,986
Liabilities				
Non-current liabilities				
Long term loan	22	-	1,902,446	7,203,696
Murabaha payables	23	-	-	64,726
Provision for land-fill expenses		716,991	709,571	680,871
Provision for employees' end of service benefits		4,436,104	4,447,999	4,050,865
		5,153,095	7,060,016	12,000,158
Current liabilities				
Short term murabaha payable	23	5,043,516	6,656,049	6,528,799
Current portion of long term loan	22	1,902,446	5,341,250	1,800,000
Accounts payable and other liabilities	24	11,805,786	11,277,177	10,554,519
		18,751,748	23,274,476	18,883,318
Total liabilities		23,904,843	30,334,492	30,883,476
Total equity and liabilities		107,031,522	114,175,581	112,312,462

Abdul Aziz Ibrahim Al-Rabia
Chairman



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

The notes set out on pages 10 to 54 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 21) KD	Retained earnings KD	Sub-total 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
Effect of IFRS 10 adoption (see note 7)	-	-	-	-	-	-	-	-	-	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
Dividend paid (note 27)	-	-	-	-	-	-	-	(4,148,812)	(4,148,812)	-
Cost of share based payments (note 18)	-	-	-	-	-	266,107	-	-	266,107	-
Issue of staff bonus shares (note 18)	30,606	71,923	-	-	-	(102,529)	-	-	-	-
Transactions with owners	30,606	71,923	-	-	-	163,578	-	(4,148,812)	(3,882,705)	-
Profit for the year	-	-	-	-	-	-	-	512,572	512,572	58,075
Other comprehensive income for the year	-	-	-	-	-	-	2,594,494	-	2,594,494	3,154
Total comprehensive income for the year	-	-	-	-	-	-	2,594,494	512,572	3,107,066	61,229
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 54 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	Other components of equity (note 21) KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2012 (as previously reported)	34,620,187	31,923,740	(570,630)	2,457,855	875,034	5,010,828	3,809,672	78,126,686	2,000,000	80,126,686
Effect of IFRS 10 adoption (see note 7)	-	-	-	-	-	-	-	-	1,302,300	1,302,300
Balance at 1 January 2012 (restated)	34,620,187	31,923,740	(570,630)	2,457,855	875,034	5,010,828	3,809,672	78,126,686	3,302,300	81,428,986
Payment of cash dividends (note 27)	-	-	-	-	-	-	(3,451,499)	(3,451,499)	-	(3,451,499)
Purchase of treasury shares	-	-	(103,798)	-	-	-	-	(103,798)	-	(103,798)
Sale of treasury shares	-	-	667,988	-	-	(36,368)	(69,554)	562,066	-	562,066
Transactions with owners	-	-	564,190	-	-	(36,368)	(3,521,053)	(2,993,231)	-	(2,993,231)
Profit/(loss) for the year	-	-	-	-	-	-	5,025,725	5,025,725	(587,337)	4,438,388
Other comprehensive income for the year	-	-	-	-	-	954,285	-	954,285	12,661	966,946
Total comprehensive income/(loss) for the year	-	-	-	-	-	954,285	5,025,725	5,980,010	(574,676)	5,405,334
Transfer to reserves	-	-	-	530,162	530,162	-	(1,060,324)	-	-	-
Balance at 31 December 2012 (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

The notes set out on pages 10 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
OPERATING ACTIVITIES		
Profit for the year	570,647	4,438,388
Adjustments:		
Depreciation of property, plant and equipment	3,988,792	3,400,378
Loss on write off of property, plant and equipment	44,789	6,014
Gain on sale of land	(1,693,433)	-
Loss on sale of available for sale investments	873,912	160,748
Share of results of associates	2,015,919	467,267
Impairment of investment in associate	117,960	250,000
Impairment of available for sale investments	5,287,571	2,336,905
Dividend income from available for sale investments	(835,245)	(598,830)
Income from short term murabaha	(192,180)	(95,128)
Cost of share based payment	266,107	-
Interest income	(3,769)	(6,216)
Finance costs	323,756	541,024
Foreign exchange loss on non operating assets and liabilities	(12,079)	38,132
Provision for doubtful debts	770,510	250,000
Provision for land-fill expenses	7,420	28,700
Provision for employees' end of service benefit	618,033	752,577
	12,148,710	11,969,959
Changes in operating assets and liabilities:		
Inventories and spare parts	(1,572,691)	(1,030,897)
Investments at fair value through statement of income	(462,335)	688,881
Accounts receivable and other assets	(1,204,888)	1,307,113
Accounts payable and other liabilities	525,378	746,084
Cash from operations	9,434,174	13,681,140
Employees' end of service benefit paid	(629,928)	(334,754)
Net cash from operating activities	8,804,246	13,346,386

The notes set out on pages 10 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,225,290)	(2,361,675)
Proceeds from sale of land	2,271,679	-
Proceeds from reduction of capital of associate	-	82,801
Purchase of available for sale investments	(68,422)	(3,463,008)
Proceeds on sale of available for sale investments	1,067,641	454,622
Dividend income received from available for sale investments	835,245	598,830
Fixed deposits	(500,000)	-
Income received from short term murabaha	192,180	37,808
Interest income received	3,769	6,216
Net cash used in investing activities	(423,198)	(4,644,406)
FINANCING ACTIVITIES		
Repayment of murabaha payable	(12,568,352)	(9,420,656)
Proceeds from murabaha payables	10,955,819	12,984,430
Repayment of term loans	(5,341,250)	(5,294,750)
Purchase of treasury shares	-	(103,798)
Sale of treasury shares	-	562,066
Finance costs paid	(323,756)	(541,024)
Dividends paid	(4,145,581)	(3,474,925)
Net cash used in financing activities	(11,423,120)	(5,288,657)
Net (decrease)/increase in cash and cash equivalents	(3,042,072)	3,413,323
Cash and cash equivalents at beginning of the year	6,319,495	2,906,172
Cash and cash equivalents at end of the year	3,277,423	6,319,495

The notes set out on pages 10 to 54 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 – PSAK (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 27 March 2014. 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 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

The group has adopted the following new and amended IFRS during the period:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 27 Consolidated and Separate Financial Statements - Revised as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates - Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual Improvements 2009-2011	1 January 2013

4.1.1 IAS 1 Presentation of Financial Statements- amendment

The group has adopted the amendment to IAS 1 which requires entities to group other comprehensive income items presented in the consolidated statement of comprehensive income based on those:

- Potentially reclassifiable to consolidated statement of income in a subsequent period, and
- That will not be reclassified to consolidated statement of income subsequently

The group has made this disclosure in the statement of comprehensive income.

4.1.2 IAS 27 Consolidated and Separate Financial statements – Revised as IAS 27 Separate Financial Statements

As a result of the consequential amendments, IAS 27 now deals with separate financial statements.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

4.1.3 IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures

As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

4.1.4 IFRS 7 Financial Instruments: Disclosures – Amendments

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The required disclosures are required to be provided retrospectively.

The adoption of this amendment did not have any significant impact on the financial position or performance of the group.

4.1.5 IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements. It revised the definition of control together with accompanying guidance to identify an interest in subsidiary. However, the requirements and procedures of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

The management of the group has reassessed its involvement certain entities in accordance with IFRS 10 revised control definition and guidance. The effects and basis of application of IFRS 10 is disclosed in Note 7.

Comparative amounts for 2012 and the related amounts as of 1 January 2012 have been restated in accordance with relevant transitional provisions set out in IFRS 10.

4.1.6 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 13 illustrates the application of IFRS 12 in the current year.

4.1.7 IFRS 13 Fair Value Measurement

IFRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

The group has applied IFRS 13 for the first time in the current year.

4.1.8 Annual Improvements 2009-2011

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the group are summarised below:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

4.1.8 Annual Improvements 2009-2011 (continued)

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.
-

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The adoption of the above amendments did not have any significant impact on the financial position or performance of the group.

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.

4.2.1 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 effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the group's consolidated financial information from these amendments.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.2 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 amendments are applicable to annual periods beginning on or after 1 January 2014.

4.2.3 IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, and hedge accounting have been issued. Chapter dealing with impairment methodology is still being developed. The effective date for the entire standard will be determined after completion of the new impairment model.

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues.

The group's management have yet to assess the impact of this new standard on the group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

4.2.4 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.

Management does not anticipate a material impact on the group's consolidated financial statements.

4.2.5 Annual Improvements to IFRSs 2010–2012 Cycle (Effective date 1 July 2014, with earlier application permitted):

(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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

4.2.6 *Annual Improvements to IFRSs 2011–2013 Cycle (Effective date 1 July 2014, with earlier application permitted):*

(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.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.4 Revenue (continued)

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

5.4.1 Sale of goods

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

5.4.2 Construction contracts

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

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.5 Operating expenses

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

5.6 Borrowing costs

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

5.7 Taxation

5.7.1 *Kuwait Foundation for the Advancement of Sciences (KFAS)*

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

5.7.2 *National Labour Support Tax (NLST)*

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.9 Investment in associates

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

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.1 Recognition, initial measurement and derecognition (continued)

- (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.

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

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)

- *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.

- *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:

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.3 Classification and subsequent measurement of financial assets (continued)

- *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.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.12 Equity, reserves and dividend payments

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

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

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

Other components of equity include the following:

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

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

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

5.13 Treasury shares

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

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

5.14 Provisions, contingent assets and contingent liabilities

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

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.15 Foreign currency translation

5.15.1 Functional and presentation currency

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

5.15.2 Foreign currency transactions and balances

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

5.15.3 Foreign operations

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

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

5.16 End of service indemnity

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

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.18 Share based payment (continued)

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 28). 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.

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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments (continued)

Classification of 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.

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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.4 Impairment of inventories (continued)

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. 2013	31 Dec 2012 Restated	
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 31 November 2013 audited financial statements.

7.2 Significant judgements and assumptions

The subsidiary Saudi Insulation Bricks Company –WLL ("SIBC") was consolidated by the group as a result of implementation of IFRS 10 Consolidated Financial Statements.

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Significant judgments and assumptions (continued)

The group holds 50% ownership interest and voting rights in SIBC. The remaining 50% ownership interest is held by another shareholder. When determining control, management considered whether the group has the practical ability to direct the relevant activities of SIBC on its own to generate returns for itself. Management concluded that it has the power based on its ability to appoint and remove the majority of the Board of Directors at any time, without restrictions. The group, therefore, has accounted for Saudi Insulation Bricks Company –WLL as a subsidiary.

SIBC was previously classified as investment in associate under IAS 28 and was accounted for using equity method.

The total assets and liabilities of this subsidiary at the date of consolidation were as follows:

Company name	As of 31 December 2013			As of 31 December 2012		
	Total assets KD	Total liabilities KD	Net assets KD	Total assets KD	Total liabilities KD	Net Assets KD
Saudi Insulation Bricks Company – WLL	8,594,139	5,105,449	3,488,690	7,492,414	5,347,615	2,144,799

The new standard has been adopted retrospectively and the comparative amounts have been restated which resulted in decrease of profit for the year by KD245,561 and KD358,115 for the year ended 31 December 2012 and 31 December 2011 respectively. There was no impact on profit attributable to the owners of the parent company. Furthermore, the non-controlling interests increased by KD1,072,400 at 31 December 2012, and KD1,302,300 at 31 December 2011.

The effect on earnings per share related to the restatement for the year ended 31 December 2012 was nil.

The opening balances at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is provided below:

Consolidated statement of profit or loss:

	Year ended 31 Dec. 2012 (Previously reported) KD	Year ended 31 Dec. 2012 (Restated) KD
Revenue from sales and services	42,184,930	43,463,261
Cost of sales and services	(30,268,893)	(31,478,688)
Gross profit	11,916,037	11,984,573
Other operating income	714,042	717,897
Share of results of associates	(709,828)	(467,267)
Distribution expenses	(776,697)	(1,002,457)
General administrative and other expenses	(3,176,085)	(3,507,838)
Profit for the year	4,680,949	4,438,388
Attributable to :		
Owners of the parent company	5,025,725	5,025,725
Non-controlling interests	(344,776)	(587,337)
	4,680,949	4,438,388

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.2 Significant judgments and assumptions (continued)

The transition did not have impact on the group's basic and diluted EPS.

Consolidated statement of comprehensive income:

	Year ended 31 Dec. 2012 (Previously reported) KD	Year ended 31 Dec. 2012 (Restated) KD
Exchange difference from translation of foreign operations	16,617	28,901
Total comprehensive income attributable to non-controlling interests	(344,776)	(574,676)

Consolidated statement of financial position

	1 Jan. 2012 (Previously reported) KD	1 Jan. 2012 (Restated) KD
Cash and bank balances	2,814,244	2,906,172
Accounts receivable and other assets	15,645,680	12,585,273
Inventories and spare parts	11,686,204	12,395,643
Investment in associates	6,842,977	5,540,677
Property, plant and equipment	26,623,894	33,279,435
Provision for employees' end of service benefits	4,030,176	4,050,865
Accounts payable and other liabilities	8,783,307	10,554,519
Non-controlling interests	2,000,000	3,302,300

	31 Dec. 2012 (previously reported) KD	31 Dec. 2012 (Restated) KD
Cash and bank balances	6,114,488	6,319,495
Accounts receivable and other assets	14,132,689	11,085,480
Inventories and spare parts	14,863,204	15,543,725
Investment in associates	5,840,108	4,767,709
Property, plant and equipment	23,867,840	30,117,533
Provision for employees' end of service benefits	4,418,543	4,447,999
Accounts payable and other liabilities	9,363,420	11,277,177
Non-controlling interests	1,655,224	2,727,624

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.3 *Subsidiary 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 (Restated)		Accumulated NCI (Restated)	
	31 Dec. 2013 KD	31 Dec. 2012 KD	31 Dec. 2013 KD	31 Dec. 2012 KD	31 Dec. 2013 KD	31 Dec. 2012 KD
Saudi Insulation Bricks Company	50%	50%	668,791	(242,561)	1,744,345	1,072,400
National Industries Company for Ceramic	40%	40%	(610,716)	(344,776)	1,044,508	1,655,224

No dividends were paid to the NCI during the years 2013 and 2012.

a) Saudi Insulation Bricks Company –WLL

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	7,253,397	6,249,693
Current assets	1,340,742	1,242,721
Total assets	8,594,139	7,492,414
Non-current liabilities	38,490	29,456
Current liabilities	5,066,959	5,318,159
Total liabilities	5,105,449	5,347,615
Equity attributable to the shareholders of the parent company	1,744,345	1,072,399
Non-controlling interests	1,744,345	1,072,400

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.3 Subsidiary with material non-controlling interests (continued)

a) Saudi Insulation Bricks Company – WLL (continued)

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue	3,042,225	2,445,978
Profit/(loss) for the year attributable to the shareholders of the parent company	668,790	(242,561)
Profit/(loss) for the year attributable to NCI	668,791	(242,561)
Profit/(loss) for the year	1,337,581	(485,122)
Other comprehensive income for the year attributable to the shareholders of the parent company	3,155	12,661
Other comprehensive income for the year attributable to NCI	3,154	12,661
Total other comprehensive income for the year	6,309	25,322
Total comprehensive income/(loss) for the year attributable to the shareholders of the parent company	671,945	(229,900)
Total comprehensive income/(loss) for the year attributable to NCI	671,945	(229,900)
Total comprehensive income/(loss) for the year	1,343,890	(459,800)
Net cash flow from operating activities	1,549,640	150,179
Net cash flow used in investing activities	(1,320,669)	(46,558)
Net cash flow (used in)/from financing activities	(180,142)	8,565
Net cash inflow	48,829	112,186

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. 2013 KD	31 Dec. 2012 KD
Non-current assets	16,985,198	17,574,048
Current assets	5,441,958	3,241,151
Total assets	22,427,156	20,815,199
Non-current liabilities	74,587	79,841
Current liabilities	19,741,298	16,597,298
Total liabilities	19,815,885	16,677,139
Equity attributable to the shareholders of the parent company	1,566,763	2,482,836
Non-controlling interests	1,044,508	1,655,224

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.3 Subsidiary with material non-controlling interests (continued)

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

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue	1,862,523	212,411
Loss for the year attributable to the shareholders of the parent company	(916,073)	(517,164)
Loss for the year attributable to NCI	(610,716)	(344,776)
Loss for the year	(1,526,789)	(861,940)
Total comprehensive loss for the year attributable to the shareholders of the parent company	(916,073)	(517,164)
Total comprehensive loss for the year attributable to NCI	(610,716)	(344,776)
Total comprehensive loss for the year	(1,526,789)	(861,940)
Net cash flow from operating activities	1,350,660	605,556
Net cash flow from investing activities	(978,701)	(578,524)
Net cash inflow	371,959	27,032

7.4 Interests in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

8 Revenue from sales and services

	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
Sale of building and infrastructure materials	42,771,211	40,909,348
Contracting revenue	1,888,874	2,553,913
	44,660,085	43,463,261

9 Other operating income

	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
Rental income	67,500	175,910
Scrap sale	51,738	10,433
Other	152,718	531,554
	271,956	717,897

Notes to the consolidated financial statements (continued)

10 Investment income

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Loss on sale of available for sale investments	(873,912)	(160,748)
Dividend income from available for sale investments	835,245	598,830
Dividend income from investments at fair value through statement of income	51,123	57,781
Profit/(loss) from investments at fair value through statement of income	492,426	(246,617)
Income from short term murabaha	192,180	95,128
Interest and other income	75,037	19,401
	772,099	363,775

11 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. 2013	Year ended 31 Dec. 2012
Profit for the year attributable to the owners of the parent company (KD)	512,572	5,025,725
Weighted average number of shares outstanding during the year (excluding treasury shares)	346,386,191	345,350,592
Shares to be issued for no consideration under share based payments	651,713	-
Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares)	347,037,904	345,350,592
Basic and diluted earnings per share	1.48 Fils	14.55 Fils

Notes to the consolidated financial statements (continued)

12 Property, plant and equipment

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 (see note 7)	-	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 (see note 7)	-	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

Notes to the consolidated financial statements (continued)

12 Property, plant and equipment (continued)

31 December 2012 (Restated) Cost	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
At 1 January (as previously reported)	25,078,663	37,527,118	10,820,905	4,742,722	17,033,107	95,202,515
Effect of IFRS10 adoption (see note 7)	2,201,328	6,224,220	83,469	31,754	-	8,540,771
At 1 January (restated)	27,279,991	43,751,338	10,904,374	4,774,476	17,033,107	103,743,286
Additions/transfers	5,404,850	6,494,492	527,458	268,340	(10,333,465)	2,361,675
Transferred to inventories and spare parts	-	-	-	-	(2,117,185)	(2,117,185)
Write-off/disposals	(1,386,330)	(354,150)	(822,184)	(214,923)	-	(2,777,587)
At 31 December (restated)	31,298,511	49,891,680	10,609,648	4,827,893	4,582,457	101,210,189
Accumulated depreciation						
At 1 January (as previously reported)	23,493,639	31,861,062	8,765,610	4,458,310	-	68,578,621
Effect of IFRS10 adoption (see note 7)	269,124	1,576,890	35,105	4,111	-	1,885,230
At 1 January (restated)	23,762,763	33,437,952	8,800,715	4,462,421	-	70,463,851
Charge for the year	355,009	2,005,013	841,657	198,699	-	3,400,378
Relating to write-off/disposals	(1,386,293)	(350,635)	(822,118)	(212,527)	-	(2,771,573)
At 31 December (restated)	22,731,479	35,092,330	8,820,254	4,448,593	-	71,092,656
Net book value						
At 31 December (restated)	8,567,032	14,799,350	1,789,394	379,300	4,582,457	30,117,533

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 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 year one of the group's subsidiary 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)

13 Investment in associates

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

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2013	31 Dec. 2012	
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. 2013 KD	(Restated) 31 Dec. 2012 KD
Balance at beginning of the year (as previously reported)	5,840,108	6,842,977
Effect of IFRS 10 adoption (see note 7)	(1,072,399)	(1,314,960)
Balance at beginning of the year (restated)	4,767,709	5,528,017
Reduction of capital of an associate	-	(82,801)
Share of results of associates	(2,015,919)	(467,267)
Losses adjusted to due from associate	36,840	-
Impairment of investment in an associate	(117,960)	(250,000)
Share of other comprehensive income	59,921	23,143
Foreign exchange translation	22,592	16,617
	2,753,183	4,767,709

As a result of the impairment testing of the carrying value of the investment in associates, the group recognised an impairment loss of KD117,960 (2012: KD250,000).

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 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)

13 Investment in associates (continued)

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

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

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	15,324,867	18,005,020
Current assets	3,566,398	6,135,687
Total assets	18,891,225	24,140,707
Non-current liabilities	85,254	74,787
Current liabilities	7,778,803	8,016,210
Total liabilities	7,864,057	8,090,997
Net assets	11,027,168	16,049,710
	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue	(2,107,046)	(3,287,805)
Loss for the year	(5,322,150)	(3,696,356)
Other comprehensive income for the year	299,605	115,710
Total comprehensive loss for the year	(5,022,545)	(3,580,646)

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. 2013 KD	Year ended 31 Dec. 2012 KD
Group's ownership interest (%)	20	20
Net assets of the associate	11,027,168	16,049,710
Group's share of net assets	2,205,433	3,209,942
Carrying amount	2,205,433	3,209,942

The group has accounted for its share of result of the associate using 30 September 2013 reviewed financial statements.

Notes to the consolidated financial statements (continued)

13 Investment in associates (continued)

b) United Gulf Pipes Factory – LLC:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	4,810,613	4,759,143
Current assets	1,780,057	2,052,189
Total assets	6,590,670	6,811,332
Non-current liabilities	4,342,025	2,577,288
Current liabilities	2,231,812	1,882,401
Total liabilities	6,573,837	4,459,689
Net assets	16,833	2,351,643
	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue	2,138,794	4,473,022
(Loss)/profit for the year	(2,382,517)	408,200
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	(2,382,517)	408,200

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. 2013 KD	Year ended 31 Dec. 2012 KD
Group's ownership interest (%)	30	30
Net assets of the associate	16,833	2,351,643
Group's share of net assets	5,050	705,493
Carrying amount	5,050	705,493

The group has accounted for its share of result of the associate using 30 September 2013 unaudited management accounts.

Notes to the consolidated financial statements (continued)

13 Investment in associates (continued)

c) Omani German Company for Building Materials – LLC:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	3,070,692	2,873,643
Current assets	208,224	79,635
Total assets	3,278,916	2,953,278
Non-current liabilities	13,403	-
Current liabilities	1,595,672	914,841
Total liabilities	1,609,075	914,841
Net assets	1,669,841	2,038,437
	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Revenue	54,935	-
Loss for the year	(394,073)	-
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(394,073)	-

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. 2013 KD	Year ended 31 Dec. 2012 KD
Group's ownership interest (%)	32.50	32.50
Net assets of the associate	1,669,841	2,038,437
Group's share of net assets	542,698	662,492
Carrying amount	542,698	662,492

The group has accounted for its share of result of the associate using 31 December 2013 unaudited management accounts.

Notes to the consolidated financial statements (continued)

13 Investment in associates (continued)

13.3 Set out below is the aggregate information for the individually immaterial associates, based on unaudited management accounts as at 31 December 2012 and 31 December 2013.

	Year ended 31 Dec. 2013 KD	(Restated) Year ended 31 Dec. 2012 KD
Group's share of the profits and losses	(71,819)	(416,554)
Group's share of other comprehensive loss	-	-
Group's share of total comprehensive loss	(71,819)	(416,554)
Aggregate carrying amount of group's interest in these associates	2	189,781

14 Available for sale investments

	31 Dec. 2013 KD	31 Dec. 2012 KD
Local quoted securities	13,358,170	11,814,979
Local unquoted securities	6,908,420	9,262,032
Foreign quoted securities	2,442,772	1,852,072
Foreign unquoted securities	12,345,424	16,771,865
Murabaha investment	2,992,857	2,998,571
	38,047,643	42,699,519

During the year, the parent company recognised an impairment loss of KD5,287,571 (2012: KD2,336,905) 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.

Notes to the consolidated financial statements (continued)

15 Inventories and spare parts

	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD
Raw materials	9,901,281	8,106,763
Finished goods and work-in-progress	4,697,909	4,664,758
Spare parts	2,960,652	2,857,519
Goods in transit	322,245	565,386
	17,882,087	16,194,426
Provision for obsolete and slow moving items	(765,671)	(650,701)
	17,116,416	15,543,725

16 Investments at fair value through statement of income

	31 Dec. 2013 KD	31 Dec. 2012 KD
Designated on initial recognition:		
Managed funds and portfolios	3,317,731	2,910,286
Quoted equity securities	636,724	581,834
	3,954,455	3,492,120

17 Accounts receivable and other assets

	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD
Trade receivables	8,256,667	7,244,962
Provision for doubtful debts	(1,020,510)	(250,000)
	7,236,157	6,994,962
Due from ultimate parent company	251,699	173,519
Due from associates	1,735,158	1,215,408
Due from related companies	9,023	9,023
Staff receivables	165,768	139,918
Advance payments towards purchase of investments	-	1,000,000
Prepayments	424,916	623,222
Advances to contractors	384,797	188,546
Retentions	643,509	557,038
Accrued income and other assets	631,991	183,844
	11,483,018	11,085,480

- 17.1 The carrying values of the financial assets included above approximate their fair values and are due within one year.
- 17.2 Trade receivables are non-interest bearing and generally on 30 – 90 days credit terms.

Notes to the consolidated financial statements (continued)

17 Accounts receivable and other assets (continued)

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

	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD
Neither past due nor impaired	4,384,048	4,884,575
Past due but not impaired		
- 3 – 6 months	2,852,109	2,088,082
Impaired		
- over 6 months	1,020,510	272,305
Total trade receivables	8,256,667	7,244,962

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2013, trade receivables of KD2,852,109 (2012: KD2,088,082) 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 KD770,510 (2012: KD250,000).

18 Share capital and share premium

	31 Dec. 2013 KD	31 Dec. 2012 KD
Shares of KD0.100 each		
- Authorised	35,320,187	35,320,187
- Issued and fully paid	34,650,793	34,620,187

During the year, the parent company issued 306,056 shares under the staff share based payment scheme (Note 28) at KD0.335 per share. The amount in excess of nominal amount of KD0.100 was credited to the share premium account.

19 Treasury shares

	31 Dec. 2013	31 Dec. 2012
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)	3,827	3,827

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

Notes to the consolidated financial statements (continued)

20 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.

21 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Total KD
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 change in fair value 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
Balance at 1 January 2012	5,058,531	(84,071)	36,368	5,010,828
Sale of treasury shares	-	-	(36,368)	(36,368)
Exchange differences on translation of foreign operations	-	16,617	-	16,617
Share of other comprehensive income of associates	19,896	3,247	-	23,143
Available for sale investments:				
- Net loss arising during the year	(1,362,612)	-	-	(1,362,612)
- Transferred to consolidated statement of income on impairment	2,336,905	-	-	2,336,905
- Transferred to consolidated statement of income on sale	(59,768)	-	-	(59,768)
Total other comprehensive income/(loss) for the year	934,421	19,864	(36,368)	917,917
Balance at 31 December 2012	5,992,952	(64,207)	-	5,928,745

Notes to the consolidated financial statements (continued)

22 Term loans

	Maturity	Interest rate	31 Dec. 2013 KD	31 Dec. 2012 KD
Loan facility – Kuwait Dinar	15 July 2014	3.5%	1,902,446	3,702,446
Loan facility – US Dollar	15 Oct. 2013	1% + LIBOR	-	3,541,250
			1,902,446	7,243,696
Instalments due with one year			(1,902,446)	(5,341,250)
Instalments due after one year			-	1,902,446

Loan facility – Kuwait Dinar

The parent company obtained from Industrial Bank of Kuwait a loan facility of KD9,000,000 bearing 3.5% interest per annum on drawn amount and 1% per annum on undrawn facility. The loan has been obtained to partly finance establishment of a new factory and has been guaranteed by the ultimate parent company. The loan is being repaid in ten semi annual instalments of KD900,000 each beginning 15 July 2012. The instalments due within the next twelve months are shown under current liabilities.

23 Murabaha payables

These represent murabaha facilities obtained from local financial institutions carrying an average effective profit rate of 4.00% (2012: 4.5%) per annum.

24 Accounts payable and other liabilities

	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD
Trade payables	7,270,457	6,303,489
Due to associates	-	335,341
Due to other related companies (non-controlling interest)	1,151,163	1,481,940
Staff payables	391,749	153,319
Provision for staff leave	707,881	726,909
Accrued expenses	1,426,443	1,124,831
Due to customers for contract works	47,257	47,001
Other liabilities	810,836	1,104,347
	11,805,786	11,277,177

25 Fixed deposits

Fixed deposits carry average interest rate of 1.5% (2012: 1.00%) per annum and mature within one year of financial position date.

Notes to the consolidated financial statements (continued)

26 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. 2013 KD	(Restated) 31 Dec. 2012 KD	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD	31 Dec. 2013 KD
Segment revenue/(loss)	44,660,085	43,463,261	(6,649,351)	(2,690,397)	38,010,734
Loss from investments	-	-	4,515,472	1,973,130	4,515,472
Share of results of associates	-	-	2,015,919	467,267	2,015,919
Impairment of investment in associate	-	-	117,960	250,000	117,960
Sales, per consolidated statement of income					
Segment results	7,558,646	7,942,175	(6,649,351)	(2,690,397)	44,660,085
Unallocated expenses					909,295
Profit for the year, per consolidated statement of income					(338,648)
Depreciation	3,988,792	3,400,378	-	-	570,647
					3,988,792
Provision for doubtful debts	770,510	250,000	-	-	770,510
Impairment of available for sale investments	-	-	5,287,571	2,336,905	5,287,571
Assets	56,361,961	54,357,789	50,669,561	59,817,792	107,031,522
Liabilities	(22,002,397)	(22,755,455)	(1,902,446)	(7,579,037)	(23,904,843)
	34,359,564	31,602,334	48,767,115	52,238,755	83,126,679
					83,841,089

Notes to the consolidated financial statements (continued)

27 General assembly of shareholders

The Annual General Assembly of the Shareholders held on 18 April 2013 approved the consolidated financial statement of the group for the year ended 31 December 2012. The General Assembly also approved cash dividend of 12 fils (2011: 10 fils) dividend for the year ended 31 December 2012 amounting to KD4,148,812.

The directors did not propose dividend for the year ended 31 December 2013.

28 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 KD266,107 during the year. The carrying amount of the liability relating to the plan at 31 December 2013 was 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 2013 Share options	31 Dec 2013 WAEP	31 Dec 2012 Number	31 Dec 2012 WAEP
	Number	KD		
Granted during the year	957,769	0.335	-	-
Exercised during the year	(306,056)	0.335	-	-
Outstanding at 31 December	651,713	0.335	-	-
Exercisable at 31 December	182,222	0.335	-	-

29 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)

29 Related party transactions (continued)

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

	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD
Amounts included in the consolidated financial position:		
Due from ultimate parent company (note 17)	251,699	173,519
Due from associates (note 17)	1,735,158	1,215,408
Due from other related companies (note 17)	9,023	9,023
Due to associates (note 24)	-	335,341
Due to other related companies (non-controlling interests) (note 24)	1,151,163	1,481,940
	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Transactions included in the consolidated statement of income:		
Interest income	2,779	1,674
Gain on sale of land (non-controlling interests)	1,693,433	-
Purchase of raw materials (associate)	342,078	897,436
Compensation of key management personnel of the parent company		
Directors' fees	-	35,000
Short term benefits	181,397	220,976
End of service benefits	34,876	33,938
Cost of share based payments	198,590	188,392
	414,863	478,306

Directors' fees of KD35,000 for the year ended 31 December 2012 was approved by the ordinary General Assembly meeting held on 18 April 2013.

30 Commitments and contingent liabilities

	31 Dec. 2013 KD	31 Dec. 2012 KD
Capital commitments	2,821	404,034
Letters of guarantee	3,407,356	3,515,642
Letters of guarantee from ultimate parent company	200,000	200,000
	3,610,177	4,119,676

31 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)

31 Risk management objectives and policies (continued)

31.1 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. 2013 KD	(Restated) 31 Dec. 2012 KD
US Dollar	10,741,494	8,606,394
UAE Dirhams	1,510,946	750,993
Jordanian Dinar	166,287	361,286
Saudi Riyal	7,344,621	4,356,286
Bahraini Dinar	1,671,952	1,436,024
Omani Riyal	1,691,160	599,257
Pound Sterling	627,461	608,908

The foreign currency sensitivity is determined assuming 5% (2012: 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. 2013 KD	(Restated) 31 Dec. 2012 KD	31 Dec. 2013 KD	(Restated) 31 Dec. 2012 KD
US Dollar	± 36,039	± 140,373	± 501,035	± 570,693
Other currencies	± 350,542	± 50,380	± 300,079	± 355,541

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)

31 Risk management objectives and policies (continued)

31.1 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%) (2012: +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. 2013		31 Dec. 2012	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Profit for the year	(33,031)	33,031	(97,512)	97,512

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. 2013	31 Dec. 2012
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. 2013 KD	31 Dec. 2012 KD	31 Dec. 2013 KD	31 Dec. 2012 KD
Financial assets at fair value through statement of income	197,723	174,606	-	-
Available-for-sale investments	-	-	912,186	755,956
Total	197,723	174,606	912,186	755,956

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.2 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. 2013 KD	(Restated) 31 Dec. 2012 KD
Bank balances	3,022,983	6,264,431
Fixed deposits	650,000	150,000
Accounts receivable and other assets	11,058,102	10,462,258
Murabaha investment	2,992,857	2,998,571
Available for sale investments	35,054,786	39,700,948
Investments at fair value through statement of income	3,954,455	3,492,120
	56,733,183	63,068,328

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.

31.3 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 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
As at 31 December 2012 (Restated)					
Term loans	-	2,780,825	2,756,625	2,022,446	7,559,896
Murabaha payables	-	3,313,449	3,342,600	-	6,656,049
Accounts payable and other liabilities	2,334,917	3,897,303	5,044,957	-	11,277,177
	2,334,917	9,991,577	11,144,182	2,022,446	25,493,122

Notes to the consolidated financial statements (continued)

32 Fair value measurement

32.1 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).

32.2 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. 2013 KD	(Restated) 31 Dec. 2012 KD
Financial assets:		
<i>Loans and receivables at amortised cost:</i>		
- Cash and cash equivalents	3,277,423	6,319,495
- Fixed deposits	650,000	150,000
- Accounts receivable and other assets	11,483,018	11,085,480
<i>Investments at fair value through statement of income:</i>		
Investments at fair value through statement of income	3,954,455	3,492,120
<i>Available for sale investments at fair value:</i>		
Available for sale investments	34,424,447	38,461,788
	53,789,343	59,508,883
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
Term loans	1,902,446	7,243,696
Accounts payable and other liabilities	11,805,786	11,277,177
Murabaha payables	5,043,516	6,656,049
	18,751,748	25,176,922

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)

32 Fair value measurement (continued)

32.2 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 2013		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
<i>Financial assets designated at fair value through statement of income</i>					
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

31 December 2012		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
<i>Financial assets designated at fair value through statement of income</i>					
Quoted securities	a	581,834	-	-	581,834
Managed funds and portfolios	b	-	2,910,286	-	2,910,286
Available for sale investments					
Local quoted securities	b	11,814,979	-	-	11,814,979
Local unquoted securities	c	-	-	8,999,532	8,999,532
Foreign quoted securities	b	1,852,072	-	-	1,852,072
Foreign unquoted securities	c	-	-	15,795,205	15,795,205
		14,248,885	2,910,286	24,794,737	41,953,908

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)

32 Fair value measurement (continued)

32.2 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. 2013	31 Dec. 2012
	KD	KD
Opening balance	24,794,737	18,215,129
Gains or losses recognised in:		
- Consolidated statement of income	(5,906,796)	(2,086,934)
- Other comprehensive income	181,161	238,889
Purchases	7,509	9,205
Reclassification to Level 3	608,820	8,423,639
Sales	(1,061,926)	(5,191)
Closing balance	18,623,505	24,794,737

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)

32 Fair value measurement (continued)

32.2 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%.

33 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. 2013 KD	31 Dec. 2012 KD
Profit for the year attributable to the owners of the parent company	512,572	5,025,725
Total equity	80,337,826	81,113,465
Return on equity	0.64%	6.20%