Interim condensed consolidated financial information and review report

# National Industries Company – KPSC and Subsidiaries

# Kuwait

30 June 2014 (Unaudited)

# Contents

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# Report on review of interim condensed consolidated financial information

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

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Company (A Kuwaiti Public Shareholding Company) and its subsidiaries as of 30 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

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

*Conclusion*

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

## Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, or of the articles and memorandum of association of the Company, as amended, have occurred during the six-month period ended 30 June 2014 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
14 August 2014

# Interim condensed consolidated statement of income

| | Notes | Three months ended 30 June 2014 (Unaudited) KD | Three months ended (Restated) 30 June 2013 (Unaudited) KD | Six months ended 30 June 2014 (Unaudited) KD | Six months ended (Restated) 30 June 2013 (Unaudited) KD |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from sales and services | | 11,877,432 | 12,046,192 | 24,011,877 | 23,634,198 |
| Cost of sales and services | | (8,738,565) | (9,058,552) | (17,749,744) | (17,945,261) |
| **Gross profit** | | 3,138,867 | 2,987,640 | 6,262,133 | 5,688,937 |
| Other operating income | | 43,354 | 97,381 | 106,780 | 225,128 |
| Share of results of associates | | 23,073 | (25,810) | (25,532) | (548,126) |
| Investment income | 6 | 578,708 | 1,017,634 | 650,776 | 308,646 |
| Foreign exchange gain/(loss) | | 198 | (3,462) | 339 | (26,549) |
| | | 3,784,200 | 4,073,383 | 6,994,496 | 5,648,036 |
| **Expenses and other charges** | | | | | |
| Distribution expenses | | (391,674) | (319,720) | (780,509) | (588,555) |
| General, administrative and other expenses | | (536,684) | (632,478) | (1,485,983) | (1,608,200) |
| Finance costs | | (12,280) | (69,591) | (90,332) | (136,884) |
| Provision for doubtful debts | | - | (500,000) | - | (500,000) |
| Impairment of available for sale investments | | (795,128) | (1,999,689) | (795,128) | (1,999,689) |
| Impairment of investment in associate | | - | (117,960) | - | (117,960) |
| | | (1,735,766) | (3,639,438) | (3,151,952) | (4,951,288) |
| **Profit before contribution to KFAS, NLST and Zakat** | | 2,048,434 | 433,945 | 3,842,544 | 696,748 |
| Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | | (18,784) | (4,988) | (35,767) | (8,864) |
| Provision for National Labour Support Tax (NLST) | | (38,472) | (7,817) | (89,919) | (21,348) |
| Provision for Zakat | | (15,388) | (3,127) | (35,967) | (8,539) |
| Profit for the period | | 1,975,790 | 418,013 | 3,680,891 | 657,997 |
| **Attributable to :** | | | | | |
| Owners of the parent company | | 2,014,430 | 540,125 | 3,812,429 | 946,086 |
| Non-controlling interests | | (38,640) | (122,112) | (131,538) | (288,089) |
| **Profit for the period** | | 1,975,790 | 418,013 | 3,680,891 | 657,997 |
| **Basic and diluted earnings per share attributable to the owners of the parent company** | 7 | 5.79 Fils | 1.56 Fils | 10.95 Fils | 2.73 Fils |

*The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.*

# Interim condensed consolidated statement of comprehensive income

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2014 (Unaudited) KD | (Restated) 30 June 2013 (Unaudited) KD | 30 June 2014 (Unaudited) KD | (Restated) 30 June 2013 (Unaudited) KD |
| **Profit for the period** | **1,975,790** | 418,013 | **3,680,891** | 657,997 |
| ***Other comprehensive income:*** | | | | |
| *Items that will be reclassified subsequently to statement of income* | | | | |
| Available for sale investments: | | | | |
| - Net change in fair value of investments | **(2,326,904)** | (2,072,502) | **(1,282,339)** | (937,210) |
| -Transferred to interim condensed consolidated statement of income on impairment | **795,128** | 1,999,689 | **795,128** | 1,999,689 |
| Exchange differences arising on translation of foreign operations | **1,863** | 4,587 | **(3,255)** | 56,236 |
| Share of other comprehensive income of associates | **57** | 9,411 | **(1,565)** | 24,035 |
| Total other comprehensive (loss)/income | **(1,529,856)** | (58,815) | **(492,031)** | 1,142,750 |
| **Total comprehensive income for the period** | **445,934** | 359,198 | **3,188,860** | 1,800,747 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent company | **483,642** | 479,016 | **3,322,025** | 2,072,775 |
| Non-controlling interests | **(37,708)** | (119,818) | **(133,165)** | (272,028) |
| | **445,934** | 359,198 | **3,188,860** | 1,800,747 |

*The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.*

# Interim condensed consolidated statement of financial position

| | Notes | 30 June 2014 (Unaudited) KD | 31 Dec. 2013 (Audited) KD | (Restated) 30 June 2013 (Unaudited) KD |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | 28,656,827 | 29,749,384 | 31,827,480 |
| Investment in associates | | 2,726,086 | 2,753,183 | 4,149,772 |
| Available for sale investments | | 36,766,744 | 38,047,643 | 40,947,667 |
| | | 68,149,657 | 70,550,210 | 76,924,919 |
| **Current assets** | | | | |
| Inventories and spare parts | | 16,261,932 | 17,116,416 | 16,431,717 |
| Investments at fair value through statement of income | | 2,974,655 | 3,954,455 | 3,630,646 |
| Accounts receivable and other assets | | 11,442,690 | 11,483,018 | 10,994,013 |
| Fixed deposits | | 900,000 | 650,000 | 150,000 |
| Cash and bank balances | | 6,126,538 | 3,277,423 | 5,730,794 |
| | | 37,705,815 | 36,481,312 | 36,937,170 |
| **Total assets** | | 105,855,472 | 107,031,522 | 113,862,089 |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Share capital | 8 | 34,675,783 | 34,650,793 | 34,641,264 |
| Share premium | 8 | 32,020,653 | 31,995,663 | 31,973,270 |
| Treasury shares | 9 | (6,440) | (6,440) | (6,440) |
| Legal reserve | | 3,042,395 | 3,042,395 | 2,988,017 |
| Voluntary reserve | | 1,459,574 | 1,459,574 | 1,405,196 |
| Staff bonus shares reserve | | 296,482 | 163,578 | 195,500 |
| Other components of equity | 10 | 8,032,835 | 8,523,239 | 7,055,434 |
| Retained earnings | | 4,321,453 | 509,024 | 1,051,294 |
| **Total equity attributable to the owners of the parent** | | 83,842,735 | 80,337,826 | 79,303,535 |
| Non-controlling interests | | 2,655,688 | 2,788,853 | 2,455,596 |
| | | 86,498,423 | 83,126,679 | 81,759,131 |
| **Non-current liabilities** | | | | |
| Term loans | 11 | - | - | 1,002,446 |
| Provision for land-fill expenses | | 721,328 | 716,991 | 714,273 |
| Provision for employees' end of service benefits | | 4,655,932 | 4,436,104 | 4,485,702 |
| | | 5,377,260 | 5,153,095 | 6,202,421 |
| **Current liabilities** | | | | |
| Current portion of term loans | 11 | 1,002,446 | 1,902,446 | 3,593,750 |
| Murabaha payables | | 1,121,187 | 5,043,516 | 7,713,379 |
| Accounts payable and other liabilities | | 11,856,156 | 11,805,786 | 14,593,408 |
| | | 13,979,789 | 18,751,748 | 25,900,537 |
| **Total liabilities** | | 19,357,049 | 23,904,843 | 32,102,958 |
| **Total equity and liabilities** | | 105,855,472 | 107,031,522 | 113,862,089 |

Abdul Aziz Ibrahim Al-Rabia
Chairman

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

*The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.*

# Interim condensed consolidated statement of changes in equity

| | Equity attributable to the owners of the parent company | | | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD | Share premium KD | Treasury shares KD | Legal reserve KD | Voluntary reserve KD | Staff bonus shares reserve KD | Other components of equity (note 10) KD | Retained earnings KD | Sub-total KD | KD | KD |
| **Balance at 1 January 2014** | 34,650,793 | 31,995,663 | (6,440) | 3,042,395 | 1,459,574 | 163,578 | 8,523,239 | 509,024 | 80,337,826 | 2,788,853 | 83,126,679 |
| Cost of share based payment | - | - | - | - | - | 182,884 | - | - | 182,884 | - | 182,884 |
| Issue of staff bonus shares (note 8) | 24,990 | 24,990 | - | - | - | (49,980) | - | - | - | - | - |
| Transactions with owners | 24,990 | 24,990 | - | - | - | 132,904 | - | - | 182,884 | - | 182,884 |
| Profit/(loss) for the period | - | - | - | - | - | - | - | 3,812,429 | 3,812,429 | (131,538) | 3,680,891 |
| Other comprehensive loss for the period | - | - | - | - | - | - | (490,404) | - | (490,404) | (1,627) | (492,031) |
| Total comprehensive (loss)/income for the period | - | - | - | - | - | - | (490,404) | 3,812,429 | 3,322,025 | (133,165) | 3,188,860 |
| **Balance at 30 June 2014 (Unaudited)** | **34,675,783** | **32,020,653** | **(6,440)** | **3,042,395** | **1,459,574** | **296,482** | **8,032,835** | **4,321,453** | **83,842,735** | **2,655,688** | **86,498,423** |

# Interim condensed consolidated statement of changes in equity (continued)

| | Equity attributable to the owners of the parent company | | | | | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD | Share premium KD | Treasury shares KD | Legal reserve KD | Voluntary reserve KD | Staff bonus shares reserve KD | Other components of equity (note 10) KD | Retained earnings KD | Sub-total KD | KD | KD |
| **Balance at 1 January 2013 (as previously reported)** | 34,620,187 | 31,923,740 | (6,440) | 2,988,017 | 1,405,196 | - | 5,928,745 | 4,254,020 | 81,113,465 | 1,655,224 | 82,768,689 |
| Effect of IFRS 10 adoption (see note 5) | - | - | - | - | - | - | - | - | - | 1,072,400 | 1,072,400 |
| **Balance at 1 January 2013 (restated)** | 34,620,187 | 31,923,740 | (6,440) | 2,988,017 | 1,405,196 | - | 5,928,745 | 4,254,020 | 81,113,465 | 2,727,624 | 83,841,089 |
| Dividend paid | - | - | - | - | - | - | - | (4,148,812) | (4,148,812) | - | (4,148,812) |
| Cost of share based payment | - | - | - | - | - | 266,107 | - | - | 266,107 | - | 266,107 |
| Issue of staff bonus shares (note 8) | 21,077 | 49,530 | - | - | - | (70,607) | - | - | - | - | - |
| Transactions with owners | 21,077 | 49,530 | - | - | - | 195,500 | - | (4,148,812) | (3,882,705) | - | (3,882,705) |
| Profit/(loss) for the period | - | - | - | - | - | - | - | 946,086 | 946,086 | (288,089) | 657,997 |
| Other comprehensive income for the period | - | - | - | - | - | - | 1,126,689 | - | 1,126,689 | 16,061 | 1,142,750 |
| Total comprehensive income for the period | - | - | - | - | - | - | 1,126,689 | 946,086 | 2,072,775 | (272,028) | 1,800,747 |
| **Balance at 30 June 2013 (Unaudited)** | **34,641,264** | **31,973,270** | **(6,440)** | **2,988,017** | **1,405,196** | **195,500** | **7,055,434** | **1,051,294** | **79,303,535** | **2,455,596** | **81,759,131** |

*The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.*

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

# Interim condensed consolidated statement of cash flows

| | Six months ended 30 June 2014 (Unaudited) | (Restated) Six months ended 30 June 2013 (Unaudited) |
|---|---|---|
| | KD | KD |
| **OPERATING ACTIVITIES** | | |
| **Profit for the period** | 3,680,891 | 657,997 |
| Adjustments: | | |
| Depreciation of property, plant and equipment | 1,746,218 | 2,006,551 |
| Loss on write off of property, plant and equipment | 28,027 | 22,864 |
| Loss on sale of available for sale investments | - | 873,912 |
| Share of results of associates | 25,532 | 548,126 |
| Impairment of investment in associate | - | 117,960 |
| Impairment loss on available for sale investments | 795,128 | 1,999,689 |
| Dividend income from available for sale investments | (679,515) | (806,559) |
| Income from short term murabaha investments | (74,170) | (116,709) |
| Share based payment | 182,704 | 266,107 |
| Interest income | (893) | (2,065) |
| Finance costs | 90,332 | 136,884 |
| Foreign exchange loss on non-operating assets and liabilities | 13,218 | 60,872 |
| Provision for doubtful debts | - | 500,000 |
| Provision for land-fill expenses | 4,337 | 4,702 |
| Provision for staff indemnity | 420,579 | 406,748 |
| | 6,232,388 | 6,677,079 |
| Changes in operating assets and liabilities: | | |
| Inventories and spare parts | 854,484 | (887,992) |
| Investments at fair value through statement of income | 979,800 | (138,526) |
| Accounts receivable and other assets | 40,328 | (410,555) |
| Accounts payable and other liabilities | 45,608 | 3,269,892 |
| Cash from operations | 8,152,608 | 8,509,898 |
| Staff indemnity paid | (200,751) | (369,045) |
| **Net cash from operating activities** | 7,951,857 | 8,140,853 |
| **INVESTING ACTIVITIES** | | |
| Additions to property, plant and equipment | (688,457) | (3,739,362) |
| Purchase of available for sale investments | (4,297) | (64,907) |
| Proceeds from sale of available for sale investments | 2,857 | 2,780 |
| Dividend income received from available for sale investments | 679,515 | 806,559 |
| Fixed deposits | (250,000) | - |
| Income received from murabaha investments | 74,170 | 119,566 |
| Interest income received | 893 | 2,065 |
| **Net cash used in investing activities** | (185,319) | (2,873,299) |
| **FINANCING ACTIVITIES** | | |
| Repayment of term loan | (900,000) | (2,676,250) |
| Repayment of murabaha payables | (4,068,414) | (6,660,648) |
| Proceeds from murabaha payables | 146,085 | 7,717,978 |
| Finance costs paid | (90,332) | (136,884) |
| Dividends paid | (4,762) | (4,100,451) |
| **Net cash used in financing activities** | (4,917,423) | (5,856,255) |
| Net increase/(decrease) in cash and cash equivalents | 2,849,115 | (588,701) |
| Cash and cash equivalents at beginning of the period | 3,277,423 | 6,319,495 |
| **Cash and cash equivalents at end of the period** | 6,126,538 | 5,730,794 |

*The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.*

# Notes to the interim condensed consolidated financial information

## 1 Incorporation and activities

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

The main objectives of the parent company are as follows:

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

The group comprises the parent company and its subsidiaries.

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

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

The parent company's board of directors approved this interim condensed consolidated financial information for issue on 14 August 2014.

## 2 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the most recent annual financial statements of the group for the year ended 31 December 2013 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

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

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

# Notes to the interim condensed consolidated financial information (continued)

## 2 Basis of preparation (continued)

Operating results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2013.

## 3 Changes in accounting policies

### 3.1 Adoption of new IASB Standards and amendments during the period

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

| *Standard or Interpretation* | *Effective for annual periods beginning* |
|---|---|
| IAS 32 Financial Instruments: Presentation - Amendments | 1 January 2014 |
| IAS 36 Impairment of Assets- Amendments | 1 January 2014 |
| Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 | 1 January 2014 |

#### *3.1.1 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 required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

#### *3.1.2 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 adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

#### *3.1.3 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27*

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

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

### 3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, 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.

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

### 3.2 IASB Standards issued but not yet effective (continued)

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 pronouncement. Management is yet to determine impact of these pronouncements in the interim condensed consolidated financial information. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

| *Standard or Interpretation* | *Effective for annual periods beginning* |
|---|---|
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) | 1 January 2016 |
| Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | 1 January 2016 |
| Annual Improvements to IFRSs 2010–2012 Cycle | 1 July 2014 |
| Annual Improvements to IFRSs 2011-2013 Cycle | 1 July 2014 |

#### *3.2.1 IFRS 9 Financial Instruments*

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

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

#### *3.2.2 IFRS 15 Revenue from Contracts with Customers*

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

The five steps in the model are as follows:

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

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

### 3.2 IASB Standards issued but not yet effective (continued)

#### *3.2.2 IFRS 15 Revenue from Contracts with Customers (continued)*

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

#### *3.2.3 Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*

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

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

#### *3.2.4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*

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

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

# Notes to the interim condensed consolidated financial information (continued)

## 3 Changes in accounting policies (continued)

### 3.2 IASB Standards issued but not yet effective (continued)

*3.2.5 Annual Improvements to IFRSs 2010–2012 Cycle:*
*(i) Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.

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

*(iii) Amendments to IFRS 8*-Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

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

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

*3.2.6 Annual Improvements 2011-2013 Cycle:*
*(i) Amendments to IFRS 1*-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective

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

The same version of each IFRS must be applied to all periods presented.

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

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

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

## 4 Judgement and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2013.

# Notes to the interim condensed consolidated financial information (continued)

## 5 Prior year/period adjustments

In the group's 2013 annual consolidated financial statements, the group restated its prior year financial statements as a result of the adoption of IFRS 10 Consolidated Financial Statements. The interim condensed consolidated financial information as at and for the six month period ended 30 June 2013 has also been restated to reflect such adjustments. The application of IFRS 10 affected the accounting of the group's 50% ownership interest in Saudi Insulation Bricks Company-WLL ("SIBC"). SIBC was previously classified as investment in associate and was accounted for using the equity method. At the date of initial application of IFRS 10 (1 January 2013), the group assessed that it controls SIBC.

The interim condensed consolidated financial information has been restated to reflect the above reclassification with retrospective effect. The comparative information for the period ended 30 June 2013 have been restated on the interim condensed consolidated financial information. The quantitative impact on the financial statements is provided below:

**Interim condensed consolidated statement of income:**

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2013 (Unaudited) (Previously reported) KD | 30 June 2013 (Unaudited) (Restated) KD | 30 June 2013 (Unaudited) (Previously reported) KD | 30 June 2013 (Unaudited) (Restated) KD |
| **Profit for the period attributable to:** | | | | |
| Owners of the parent company | 589,302 | 540,125 | 997,263 | 946,086 |
| Non-controlling interests | (70,557) | (122,112) | (234,534) | (288,089) |
| | 518,745 | 418,013 | 762,729 | 657,997 |
| Basic and diluted earnings per share attributable to the owners of the parent company | 1.70 Fils | 1.56 Fils | 2.87 Fils | 2.73 Fils |

**Interim condensed consolidated statement of comprehensive income:**

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2013 (Unaudited) (Previously reported) KD | 30 June 2013 (Unaudited) (Restated) KD | 30 June 2013 (Unaudited) (Previously reported) KD | 30 June 2013 (Unaudited) (Restated) KD |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the parent company | 525,900 | 479,016 | 2,107,890 | 2,072,775 |
| Non-controlling interests | (70,557) | (119,818) | (234,534) | (272,028) |
| Total comprehensive income for the period | 455,343 | 359,198 | 1,873,356 | 1,800,747 |

# Notes to the interim condensed consolidated financial information (continued)

## 5 Prior year/period adjustments (continued)

**Interim condensed consolidated statement of financial position**

| | 30 June. 2013 (previously reported) KD | 30 June. 2013 (Restated) KD |
|---|---|---|
| Total assets | 108,157,115 | 113,862,089 |
| Total liabilities | 27,397,774 | 32,102,958 |
| Total equity attributable to the owners of the parent company | 79,338,651 | 79,303,535 |
| Non-controlling interests | 1,420,690 | 2,455,596 |
| Total equity | 80,759,341 | 81,759,131 |

## 6 Investment income

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2014 (Unaudited) KD | 30 June 2013 (Unaudited) KD | 30 June 2014 (Unaudited) KD | 30 June 2013 (Unaudited) KD |
| Loss on exchange/sale of available for sale investments | - | - | - | (873,912) |
| Dividend income from available for sale investments | 659,206 | 806,559 | 679,515 | 806,559 |
| (Loss)/income from investments at fair value through statement of income | (229,516) | 104,183 | (221,883) | 168,618 |
| Dividend income from investments at fair value through statement of income | 102,881 | 12,781 | 102,881 | 25,562 |
| Income from short term Murabaha | 37,281 | 37,334 | 74,170 | 116,708 |
| Interest and other income | 8,856 | 56,777 | 16,093 | 65,111 |
| | 578,708 | 1,017,634 | 650,776 | 308,646 |

## 7 Basic and diluted earnings per share

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2014 (Unaudited) | (Restated) 30 June 2013 (Unaudited) | 30 June 2014 (Unaudited) | (Restated) 30 June 2013 (Unaudited) |
| Profit for the period attributable to the owners of the parent (KD) | 2,014,430 | 540,125 | 3,812,429 | 946,086 |
| Weighted average number of shares outstanding during the period (excluding treasury shares) | 346,737,890 | 346,392,700 | 346,678,885 | 346,360,095 |
| Shares to be issued for no consideration under share based payments | 1,459,457 | 622,550 | 1,459,457 | 622,550 |
| Weighted average number of shares to be used for diluted earnings per share (excluding treasury shares) | 348,197,347 | 347,015,250 | 348,138,342 | 346,982,645 |
| Basic and diluted earnings per share attributable to the owners of the parent company | 5.79 Fils | 1.56 Fils | 10.95 Fils | 2.73 Fils |

# Notes to the interim condensed consolidated financial information (continued)

## 8 Share capital and share premium

The details of the capital are as follows:

| | 30 June 2014 (Unaudited) KD | 31 Dec. 2013 (Audited) KD | 30 June 2013 (Unaudited) KD |
|---|---|---|---|
| Authorised share capital of KD 0.100 each | 35,320,187 | 35,320,187 | 35,320,187 |
| Issued and paid up capital of KD 0.100 each | 34,675,783 | 34,650,793 | 34,641,264 |

The parent company issued 249,901 shares (31 December 2013: 306,056 shares and 30 June 2013: 210,767 shares) under the staff share based payment scheme at KD0.200 per share (31 December 2013: KD0.335 and 30 June 2013: KD0.335). The amount in excess of nominal value of KD0.100 each was credited to share premium account.

## 9 Treasury shares

| | 30 June 2014 (Unaudited) | 31 Dec. 2013 (Audited) | 30 June 2013 (Unaudited) |
|---|---|---|---|
| Number of shares | 19,932 | 19,932 | 19,932 |
| Percentage of issued shares | 0.01% | 0.01% | 0.01% |
| Cost of treasury shares (KD) | 6,440 | 6,440 | 6,440 |
| Market value (KD) | 4,226 | 3,827 | 5,282 |

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

## 10 Other components of equity

| | Fair value reserve KD | Foreign currency translation reserve KD | Total KD |
|---|---|---|---|
| **Balance at 1 January 2014** | 8,558,067 | (34,828) | 8,523,239 |
| Exchange differences arising on translation of foreign operations | - | (1,628) | (1,628) |
| Share of other comprehensive income of associates | 1,106 | (2,671) | (1,565) |
| Available for sale investments: | | | |
| - Net change in fair value arising during the period | (1,282,339) | - | (1,282,339) |
| - Transferred to interim condensed consolidated statement of income on impairment | 795,128 | - | 795,128 |
| Total other comprehensive loss for the period | (486,105) | (4,299) | (490,404) |
| **Balance at 30 June 2014 (Unaudited)** | 8,071,962 | (39,127) | 8,032,835 |
| **Balance at 1 January 2013 (Restated)** | 5,992,952 | (64,207) | 5,928,745 |
| Exchange differences arising on translation of foreign operations | - | 40,175 | 40,175 |
| Share of other comprehensive income of associates | 17,435 | 6,600 | 24,035 |
| Available for sale investments: | | | |
| - Net change in fair value arising during the period | (937,210) | - | (937,210) |
| - Transferred to interim condensed consolidated statement of income on impairment | 1,999,689 | - | 1,999,689 |
| Total other comprehensive income for the period | 1,079,914 | 46,775 | 1,126,689 |
| **Balance at 30 June 2013 (Restated) (Unaudited)** | 7,072,866 | (17,432) | 7,055,434 |

# Notes to the interim condensed consolidated financial information (continued)

## 11 Term loans

| | Maturity | Interest rate | 30 June 2014 (Unaudited) KD | 31 Dec. 2013 (Audited) KD | 30 June 2013 (Unaudited) KD |
|---|---|---|---|---|---|
| Loan facility – KD | 15 July 2014 | 3.5% | 1,002,446 | 1,902,446 | 2,802,446 |
| Loan facility – US$ | 15 Oct. 2013 | 1%+LIBOR | - | - | 1,793,750 |
| | | | 1,002,446 | 1,902,446 | 4,596,196 |
| Instalment due within one year | | | (1,002,446) | (1,902,446) | (3,593,750) |
| Instalment due after one year | | | - | - | 1,002,446 |

## 12 General assembly

The Annual General Assembly of shareholders held on 13 May 2014, approved the consolidated financial statements for the year ended 31 December 2013 and the directors' proposal not to distribute any dividends for the year then ended.

# Notes to the interim condensed consolidated financial information (continued)

## 13 Segmental information

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

| | Building materials and contracting services | | Investments | | Total | |
|---|---|---|---|---|---|---|
| | 30 June 2014 (Unaudited) KD | (Restated) 30 June 2013 (Unaudited) KD | 30 June 2014 (Unaudited) KD | (Restated) 30 June 2013 (Unaudited) KD | 30 June 2014 (Unaudited) KD | (Restated) 30 June 2013 (Unaudited) KD |
| **Three months ended:** | | | | | | |
| **Segment revenue** | 11,877,432 | 12,046,192 | 578,708 | 1,017,634 | 12,456,140 | 13,063,826 |
| Impairment loss on available for sale | - | - | (795,128) | (1,999,689) | (795,128) | (1,999,689) |
| Share of results of associates | - | - | 23,073 | (25,810) | 23,073 | (25,810) |
| Impairment of investment in associate | - | - | - | (117,960) | - | (117,960) |
| | | | | | 11,684,085 | 10,920,367 |
| **Segment results** | 2,253,863 | 1,632,823 | (193,347) | (1,125,825) | 2,060,516 | 506,998 |
| Unallocated expenses | | | | | (84,726) | (88,985) |
| **Profit for the period per condensed consolidated statement of income** | | | | | 1,975,790 | 418,013 |
| **Depreciation** | 866,795 | 1,017,035 | - | - | 866,795 | 1,017,035 |
| **Impairment loss on available for sale investments** | - | - | 795,128 | 1,999,689 | 795,128 | 1,999,689 |
| **Six months ended:** | | | | | | |
| **Segment revenue** | 24,011,877 | 23,634,198 | 650,776 | 308,646 | 24,662,653 | 23,942,844 |
| Impairment loss on available for sale | - | - | (795,128) | (1,999,689) | (795,128) | (1,999,689) |
| Share of results of associates | - | - | (25,532) | (548,126) | (25,532) | (548,126) |
| Impairment of investment in associate | - | - | - | (117,960) | - | (117,960) |
| | | | | | 23,841,993 | 21,277,069 |
| **Segment results** | 4,102,421 | 3,217,310 | (169,884) | (2,357,129) | 3,932,537 | 860,181 |
| Unallocated expenses | | | | | (251,646) | (202,184) |
| **Profit for the period per condensed consolidated statement of income** | | | | | 3,680,891 | 657,997 |
| **Depreciation** | 1,746,218 | 2,006,551 | - | - | 1,746,218 | 2,006,551 |
| **Impairment loss on available for sale investments** | - | - | 795,128 | 1,999,689 | 795,128 | 1,999,689 |
| **Total assets** | 54,337,699 | 51,464,251 | 51,517,773 | 62,397,838 | 105,855,472 | 113,862,089 |

# Notes to the interim condensed consolidated financial information (continued)

## 14 Related party transactions

Related parties represent, major shareholders, directors and key management personnel of the group, 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.

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

| | 30 June 2014 (Unaudited) | 31 Dec. 2013 (Audited) | (Restated) 30 June 2013 (Unaudited) |
|---|---|---|---|
| | KD | KD | KD |
| **Interim condensed consolidated statement of financial position** | | | |
| Due from ultimate parent company (included in accounts receivable and other assets) | 262,498 | 251,699 | 175,497 |
| Due from other related companies (included in accounts receivable and other assets) | 9,024 | 9,023 | 9,023 |
| Due from associate (included in accounts receivable and other assets) | 1,761,252 | 1,735,158 | 1,762,929 |
| Due to other related companies (non-controlling interests) | 2,285,761 | 1,151,163 | 3,521,406 |

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | 30 June 2014 (Unaudited) | 30 June 2013 (Unaudited) | 30 June 2014 (Unaudited) | 30 June 2013 (Unaudited) |
| | KD | KD | KD | KD |
| **Condensed consolidated statement of income** | | | | |
| Interest income | 818 | 727 | 1,711 | 1,272 |
| **Purchase of raw materials (associate)** | - | 132,788 | - | 342,078 |
| **Compensation of key management personnel** | | | | |
| Short term employee benefits | 52,196 | 52,068 | 116,134 | 93,788 |
| End of service benefits | 8,041 | 7,925 | 19,729 | 15,676 |
| Cost of share based payments | - | - | 89,251 | 129,967 |
| | 60,237 | 59,993 | 225,114 | 239,431 |

## 15 Commitments and contingent liabilities

| | 30 June 2014 (Unaudited) KD | 31 Dec. 2013 (Audited) KD | 30 June 2013 (Unaudited) KD |
|---|---|---|---|
| Capital commitments | 2,821 | 2,821 | - |
| Letters of guarantee | 4,109,164 | 3,407,356 | 1,703,723 |
| Letters of guarantee from ultimate parent company | 200,000 | 200,000 | 200,000 |
| | 4,311,985 | 3,610,177 | 1,903,723 |

# Notes to the interim condensed consolidated financial information (continued)

## 16 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2013.

## 17 Fair value measurement

### 17.1 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).

### 17.2 Fair value measurement of financial instruments

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

| | 30 June 2014 (Unaudited) KD | 31 Dec. 2013 (Audited) KD | (Restated) 30 June 2013 (Unaudited) KD |
|---|---|---|---|
| **Financial assets:** | | | |
| ***Loans and receivables at amortised cost:*** | | | |
| - Cash and bank balances | 6,126,538 | 3,277,423 | 5,730,794 |
| - Fixed deposits | 900,000 | 650,000 | 150,000 |
| - Accounts receivable and other assets | 11,442,690 | 11,483,018 | 10,994,013 |
| ***Investments at fair value through statement of income:*** | | | |
| Investments at fair value through statement of income | 2,974,655 | 3,954,455 | 3,630,646 |
| ***Available for sale investments at fair value:*** | | | |
| Available for sale investments | 33,146,403 | 34,424,447 | 36,712,793 |
| | 54,590,286 | 53,789,343 | 57,218,246 |
| **Financial liabilities:** | | | |
| ***Financial liabilities at amortised cost:*** | | | |
| Term loans | 1,002,446 | 1,902,446 | 4,596,196 |
| Accounts payable and other liabilities | 11,856,156 | 11,805,786 | 14,593,408 |
| Murabaha payables | 1,121,187 | 5,043,516 | 7,713,379 |
| | 13,979,789 | 18,751,748 | 26,902,983 |

# Notes to the interim condensed consolidated financial information (continued)

## 17 Fair value measurement (continued)

### 17.2 Fair value measurement of financial instruments (continued)

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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

**30 June 2014 (Unaudited)**

| | Level 1<br>KD | Level 2<br>KD | Level 3<br>KD | Total<br>KD |
|---|---|---|---|---|
| *Investments at fair value through statement of income* | | | | |
| Managed funds and portfolios | - | 2,340,675 | - | 2,340,675 |
| Quoted equity securities | 633,980 | - | - | 633,980 |
| *Available for sale investments:* | | | | |
| Local quoted securities | 13,682,148 | - | - | 13,682,148 |
| Local unquoted securities | - | - | 6,944,941 | 6,944,941 |
| Foreign quoted securities | 1,582,660 | - | - | 1,582,660 |
| Foreign unquoted securities | - | - | 10,936,654 | 10,936,654 |
| **Net fair value** | **15,898,788** | **2,340,675** | **17,881,595** | **36,121,058** |

**31 December 2013 (Audited)**

| | Level 1<br>KD | Level 2<br>KD | Level 3<br>KD | Total<br>KD |
|---|---|---|---|---|
| Investments at fair value through statement of income | | | | |
| Managed funds and portfolios | - | 3,317,731 | - | 3,317,731 |
| Quoted securities | 636,724 | - | - | 636,724 |
| **Available for sale investments** | | | | |
| Local quoted securities | 13,358,170 | - | - | 13,358,170 |
| Local unquoted securities | - | - | 6,908,420 | 6,908,420 |
| Foreign quoted securities | 2,442,772 | - | - | 2,442,772 |
| Foreign unquoted securities | - | - | 11,715,085 | 11,715,085 |
| | 16,437,666 | 3,317,731 | 18,623,505 | 38,378,902 |

# Notes to the interim condensed consolidated financial information (continued)

## 17 Fair value measurement (continued)

### 17.2 Fair value measurement of financial instruments (continued)

30 June 2013 (Unaudited)

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|---|---|---|---|---|
| *Investments at fair value through statement of income* | | | | |
| Managed funds and portfolios | - | 2,950,010 | - | 2,950,010 |
| Quoted equity securities | 680,636 | - | - | 680,636 |
| *Available for sale investments:* | | | | |
| Local quoted securities | 12,189,261 | - | - | 12,189,261 |
| Local unquoted securities | - | - | 7,725,449 | 7,725,449 |
| Foreign quoted securities | 2,220,577 | - | - | 2,220,577 |
| Foreign unquoted securities | - | - | 14,577,506 | 14,577,506 |
| **Net fair value** | 15,090,474 | 2,950,010 | 22,302,955 | 40,343,439 |

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

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

**Level 3 fair value measurements**
The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

| | 30 June 2014 (Unaudited) KD | 31 Dec. 2013 (Audited) KD | 30 June 2013 (Unaudited) KD |
|---|---|---|---|
| Available for sale investments (unquoted securities): | | | |
| Opening balance | 18,623,505 | 24,794,737 | 24,794,737 |
| Gains or losses recognised in: | | | |
| - Consolidated statement of income | (782,726) | (5,906,796) | (2,618,912) |
| - Other comprehensive income | 36,519 | 181,161 | 125,917 |
| Purchases | 4,297 | 7,509 | 3,993 |
| Reclassification to level 3 | - | 608,820 | - |
| Sales | - | (1,061,926) | (2,780) |
| Closing balance | 17,881,595 | 18,623,505 | 22,302,955 |

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

# Notes to the interim condensed consolidated financial information (continued)

## 17 Fair value measurement (continued)

### 17.2 Fair value measurement of financial instruments (continued)

**Level 3 fair value measurements (continued)**

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

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