Consolidated financial statements and independent auditors' report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 December 2014

Contents

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Independent auditors' report

To the shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Group Holding – KPSC ("The Parent Company") and its subsidiaries, (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and 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 Group Holding and its subsidiaries as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012 and its Executive regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 and its Executive regulations nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business or financial position of the Group.

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
29 March 2015

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Continuing operations			
Sales		**126,563**	116,857
Cost of sales		**(96,918)**	(89,965)
Gross profit		**29,645**	26,892
Income from investments	8	**56,016**	48,659
Share of results of associates	17	**41,720**	18,398
Profit on disposal of associates	17	**1,140**	889
Gain on disposal of property, plant and equipment	16	**8**	1,693
Realised gain on disposal of investment properties	18	**740**	-
Changes in fair value of investment properties	18	**4,138**	1,891
Rental income		**1,553**	1,683
Interest and other income	9	**1,351**	4,559
Distribution costs		**(6,651)**	(5,427)
General, administrative and other expenses		**(23,857)**	(21,524)
		105,803	77,713
Finance costs	11	**(30,520)**	(34,841)
Impairment in value of available for sale investments	19	**(28,205)**	(24,706)
Impairment in value of investment in associates		**(2,171)**	(118)
Impairment in value of receivables and other assets	21	**(1,441)**	(898)
Loss on foreign currency exchange		**(3,752)**	(862)
Profit before taxation, other statutory contributions and directors' remunerations		**39,714**	16,288
Taxation and other statutory contributions	12	**(2,453)**	(1,375)
Directors' remuneration		**(430)**	(90)
Profit for the year from continuing operations		**36,831**	14,823
Discontinued operations			
Profit for the year from discontinued operations	34	**-**	1,824
Profit for the year	13	**36,831**	16,647
Attributable to :			
Owners of the Parent		**28,282**	10,176
Non-controlling interests		**8,549**	6,471
		36,831	16,647
Basic and diluted earnings per share attributable to the owners of the Parent	14		
- From continuing operations		**21.3 Fils**	6.3 Fils
- From discontinued operations		**-**	1.4 Fils
Total		**21.3 Fils**	7.7 Fils

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Profit for the year	**36,831**	16,647
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**4,974**	(2,959)
Available for sale investments:		
- Net changes in fair value arising during the year	**(15,596)**	29,255
- Transferred to consolidated statement of profit or loss on disposal	**(26,190)**	(22,147)
- Transferred to consolidated statement of profit or loss on impairment	**28,205**	24,706
Share of other comprehensive income of associates		
- Changes in fair value	**2,472**	2,702
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	**(6,135)**	31,557
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial (losses)/gains	**(966)**	13
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	**(966)**	13
Total other comprehensive income for the year	**(7,101)**	31,570
Total comprehensive income for the year	**29,730**	48,217
Total comprehensive income for the year attributable to:		
Owners of the parent	**26,498**	33,304
Non-controlling interests	**3,232**	14,913
	29,730	48,217

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Assets			
Non-current assets			
Goodwill and intangible assets	15	17,530	9,221
Property, plant and equipment	16	70,647	70,712
Investment in associates	17	330,968	294,406
Investment properties	18	61,425	49,943
Available for sale investments	19	616,919	673,285
Accounts receivable	21	2,102	2,086
Total non-current assets		1,099,591	1,099,653
Current assets			
Inventories	20	32,023	31,908
Available for sale investments	19	63,352	75,958
Accounts receivable and other assets	21	70,609	66,174
Murabaha and wakala investments	22	598	4,500
Investments at fair value through profit or loss	23	59,706	65,199
Short-term deposits	31	6,715	2,061
Bank balances and cash	31	53,354	32,253
Total current assets		286,357	278,053
Total assets		1,385,948	1,377,706
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	24	135,985	129,510
Treasury shares	25	(30,375)	(30,375)
Share premium	24	122,962	122,962
Cumulative changes in fair value	26	160,785	164,439
Other components of equity	26	27,167	18,552
Retained earnings		23,849	10,344
Equity attributable to owners of the parent		440,373	415,432
Non-controlling interests	26	146,729	147,976
Total equity		587,102	563,408
Non-current liabilities			
Long-term borrowings	27	370,254	529,632
Leasing creditors		478	131
Provisions	28	15,809	12,688
Total non-current liabilities		386,541	542,451
Current liabilities			
Accounts payable and other liabilities	29	55,178	48,398
Short-term borrowings	30	335,453	200,375
Due to banks	31	21,674	23,074
Total current liabilities		412,305	271,847
Total liabilities		798,846	814,298
Total equity and liabilities		1,385,948	1,377,706

مجموعة الصناعات الوطنية (القابضة) ش.م.ك.
NI Group
National Industries Group (Holding)
(S.A.K.)

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the parent								
	Share Capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 26b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance as at 1 January 2014	129,510	(30,375)	122,962	164,439	18,552	10,344	415,432	147,976	563,408
Transactions with owners									
Issue of bonus shares (note 24b)	6,475	-	-	-	-	(6,475)	-	-	-
Acquisition of non-controlling interest of subsidiary	-	-	-	-	-	76	76	(804)	(728)
Amount due to non-controlling interests on reduction of share capital of subsidiary (note 26c)	-	-	-	-	-	-	-	(3,912)	(3,912)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(2,075)	(2,075)
Reallocation to non-controlling interests (note 26c)	-	-	-	-	38	(1,671)	(1,633)	1,633	-
Other net changes in non-controlling interests	-	-	-	-	-	-	-	679	679
Total transactions with owners	6,475	-	-	-	38	(8,070)	(1,557)	(4,479)	(6,036)
Comprehensive income									
Profit for the year	-	-	-	-	-	28,282	28,282	8,549	36,831
Other comprehensive income for the year [Actuarial losses and others] (notes 26 & 33)	-	-	-	(3,654)	2,836	(966)	(1,784)	(5,317)	(7,101)
Total comprehensive income for the year	-	-	-	(3,654)	2,836	27,316	26,498	3,232	29,730
Transfer from reserve of subsidiary (note 26b)	-	-	-	-	(690)	690	-	-	-
Reserve transfers of subsidiaries (note 26b)	-	-	-	-	6,431	(6,431)	-	-	-
Balance at 31 December 2014	**135,985**	**(30,375)**	**122,962**	**160,785**	**27,167**	**23,849**	**440,373**	**146,729**	**587,102**

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent								
	Share Capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 26b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance as at 1 January 2013	129,510	(30,375)	122,962	140,199	16,921	2,911	382,128	141,790	523,918
Transactions with owners									
Net increase in non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	747	747
Redemption of units by non controlling interests of subsidiary	-	-	-	-	-	-	-	(1,532)	(1,532)
Amount due to non-controlling interests on reduction of share capital of subsidiary	-	-	-	-	-	-	-	(6,642)	(6,642)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(4,558)	(4,558)
Other net changes in non-controlling interests	-	-	-	-	-	-	-	3,258	3,258
Total transactions with owners	-	-	-	-	-	-	-	(8,727)	(8,727)
Comprehensive income									
Profit for the year	-	-	-	-	-	10,176	10,176	6,471	16,647
Other comprehensive income for the year [Actuarial losses and others] (refer notes 26 & 33)	-	-	-	24,240	(1,125)	13	23,128	8,442	31,570
Total comprehensive income for the year	-	-	-	24,240	(1,125)	10,189	33,304	14,913	48,217
Reserve transfers of subsidiaries	-	-	-	-	2,756	(2,756)	-	-	-
Balance at 31 December 2013	129,510	(30,375)	122,962	164,439	18,552	10,344	415,432	147,976	563,408

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
OPERATING ACTIVITIES		
Profit before taxation, other statutory contributions and directors' remuneration	**39,714**	16,288
Adjustments:		
Depreciation of property, plant and equipment	**6,848**	9,646
Changes in fair value of investment properties	**(4,138)**	(1,891)
Gain on disposal of property, plant and equipment	**(8)**	(1,693)
Gain on disposal of associates	**(1,140)**	(889)
Realised gain on disposal of investment properties	**(740)**	-
Impairment in value of investment in associates	**2,171**	118
Share of results of associates	**(41,720)**	(18,398)
Reversal of impairment provision of wakala investment	**-**	(874)
Dividend income from available for sale investments	**(13,997)**	(19,583)
Profit on sale of available for sale investments	**(37,597)**	(21,902)
Impairment in value of receivable and other assets	**1,441**	898
Effect of unwinding discount on receivable	**-**	(401)
Impairment in value of available for sale investments	**28,205**	24,706
Deemed gain on acquisition of available for sale investments	**-**	(2,880)
Net provisions charged/(released)	**3,121**	(2,451)
Finance costs	**30,520**	34,841
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(504)**	(531)
	12,176	15,004
Changes in operating assets and liabilities:		
Inventories	**(115)**	(6,264)
Accounts receivable and other assets	**(8,434)**	(8,710)
Investments at fair value through profit or loss	**5,493**	(3,207)
Accounts payable and other liabilities	**(1,104)**	2,906
Cash from/(used in) operations	**8,016**	(271)
KFAS and Zakat contribution paid	**(453)**	(482)
NLST paid	**(543)**	(33)
Taxation paid	**(601)**	(249)
Net cash from/(used in) continuing operations	**6,419**	(1,035)
Net cash from discontinuing operations	**-**	(190)
Net cash from/(used in) operating activities	**6,419**	(1,225)

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,160)	(8,363)
Proceeds from disposal of property, plant and equipment		214	2,471
Proceeds from disposal of investment properties		10,265	-
Acquisition of subsidiaries		-	(2,267)
Additions to investment properties		(16,869)	(17,814)
Investment in associates		(2,490)	(10,820)
Dividend received from associate companies		9,122	8,201
Proceeds from disposal of associate		4,424	7,020
Cash received from impaired wakala investment		-	874
Decrease in wakala investments maturing after three months		3,902	6,793
(Increase)/decrease in blocked deposits		(1,413)	6,272
Purchase of available for sale investments		(22,446)	(27,559)
Proceeds from sale of available for sale investments		87,228	80,416
Dividend income received from available for sale investments		13,997	19,583
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments		453	548
Net cash from investing activities		79,227	65,355
FINANCING ACTIVITIES			
Net (decrease)/increase in long-term borrowings		(32,815)	(72,123)
Finance lease payments		457	(49)
Net increase/(decrease) in short-term borrowings		8,515	21,872
Dividend paid to the owners of the parent		(36)	(47)
Finance costs paid		(30,030)	(32,841)
Decrease in non-controlling interests		(6,112)	(8,727)
Net cash used in financing activities		(60,021)	(91,915)
Net increase/(decrease) in cash and cash equivalents		25,625	(27,785)
Translation difference		117	(7)
		25,742	(27,792)
Cash and cash equivalents at beginning of the year		9,816	37,608
Cash and cash equivalents at end of the year	31	35,558	9,816

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Group Holding – KPSC ("the Parent Company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the parent company's registered office is PO Box 417, Safat 13005, State of Kuwait.

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 Parent Company has amended its Memorandum of Incorporation and Articles of Association according to the new Law and it was approved by the shareholders at the Extraordinary General Assembly held on 28 May 2014.

The board of directors of the Parent Company approved these consolidated financial statements for issuance on 29 March 2015. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties, the measurement at fair value of investments at fair value through profit or loss, available for sale financial assets and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and a "statement of comprehensive income".

3 Statement of compliance

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

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

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information, on these new standards which are relevant to the Group, is presented below:

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

IAS 32 Financial Instruments: Presentation - Amendments

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

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

The amendments are required to be applied retrospectively. The adoption of the amendments had no material effect on the Group's consolidated financial statements for any periods presented.

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 have been applied retrospectively in accordance with their transitional provisions. The adoption of the amendments had no material effect on the disclosures in the Group's consolidated financial statements for any period presented.

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

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

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

The adoption of the amendments had no material effect on the Group's financial statements for any period presented.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

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

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

IFRIC 21 Levies
IFRIC 21 clarifies that:
a) the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date
b) the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 is required to be applied retrospectively in accordance with its transitional provisions, but had no material effect on the Group's financial statements for any period presented.

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments
The IASB has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting. The new standard introduces extensive changes to ISA 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on application of hedge accounting.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

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

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts 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 obligations.

IFRS 15 Revenue from Contracts with Customers
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.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

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

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

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

These amendments are not expected to have any material on the Group's consolidated financial statements.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all the parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Disclosure Initiative – Amendments (continued)

- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

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

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

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

These amendments are not expected to have any martial impact on the Group's consolidated financial statements.

IAS 27 Equity Method in Separate Financial Statements - Amendments

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

These amendments are not expected to have any martial impact on the Group's consolidated financial statements.

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

The Amendments are aimed at clarifying the following aspects:

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

These amendments are not expected to have any martial impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

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

These amendments are not expected to have any material impact to the Group's consolidated financial statements.

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 comprehensive 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.

These amendments are not expected to have any martial impact on the Group's consolidated financial statements.

Annual Improvements 2011-2013 Cycle

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2011-2013 Cycle (continued)

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

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

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

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

These amendments are not expected to have any martial impact on the Group's consolidated financial statements.

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1. Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. 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. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1. Basis of consolidation (continued)

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. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

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 profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensives income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2. Business combinations (continued)

Goodwill is stated after separate recognition of identifiable intangible assets. It 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 (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.3. Goodwill and intangible assets

5.3.1 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.13 for a description of impairment testing procedures.

5.3.2 Intangible assets

Identifiable non-monetary assets acquired in as business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of Indefeasible Rights of Use (IRU).

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.4. 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 share of results of an associate is shown on the face of the consolidated statements of income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is 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 under a separate heading in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5. Segment reporting

The Group has four operating segments: Investment, building materials, specialist engineering and hotel and IT services 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.

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.

5.6. Profit or loss from discontinued operations

A discontinued operation is a component of the Group that has either been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the consolidated statements of profit or loss. This amount, which comprises the post-tax profit or loss of discontinued operations and the post tax gain or loss resulting from the measurement and disposal of assets classified as assets held for sale, is further analysed in note 34.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latest period presented.

5.7. Revenue

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

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. The following specific recognition criteria should also be met before revenue is recognised;

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7. Revenue (continued)

5.7.1. 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.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

When goods are sold together with customer loyalty incentives, the consideration receivable is allocated between the sale of goods and sale of incentives based on their fair values. Revenue from sale of incentives is recognised when they are redeemed by customers in exchange for products supplied by the Group.

5.7.2.Rendering of services
The Group generates revenues from after-sales service and maintenance, consulting and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5.7.3. 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.

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

5.7.5. Revenue from sale of investment properties
Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the real estate to the purchaser and the amount of revenue can be reliably measured.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8. Operating expenses

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

5.9. 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.

5.10. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 15 years
Motor vehicles	2 to 10 years
Furniture and equipment	4 to 10 years

Any increase arising on revaluation is credited directly to other comprehensive income as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of income over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.11. Leased assets

5.11.1. Finance lease

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See note 5.10 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11. Leased assets (continued)

5.11.2. Operating lease

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term except where the lease terms are onerous in which case the provision is made for the net present value of the probable liability. Associated costs, such as maintenance and insurance, are expensed as incurred.

5.12. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

5.13. Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14. Financial instruments

5.14.1. 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.

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.

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset or
  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

5.14.2. Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14. Financial instruments (continued)

5.14.2. Classification and subsequent measurement of financial assets (continued)

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

All material income and expenses relating to financial assets that are recognised in profit or loss are presented within income from investments, interest & other income or under a separate heading in the consolidated statement of profit or loss.

- *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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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:

- *Murabaha investments / receivables*

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. When the credit risk of the transaction is attributable to a financial institution, the amount due under Murabaha contracts is classified as a Murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as Murabaha receivable.

Murabaha receivables which arise from the Group's financing of long-term transactions on an Islamic basis are classified as Murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Murabaha are treated as part of the cost of the transaction.

All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount is case of default, negligence or violation of any terms and conditions of the Wakala.

- *Loans and advances*

Loans and advances are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14. Financial instruments (continued)

5.14.2. Classification and subsequent measurement of financial assets (continued)

- *Bank balances cash and Short term deposits*

Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- *Receivables and other financial assets*

Trade receivable 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.

Loans and receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

- *Financial assets at* FVTPL

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. Investments at FVTPL are either "held for trading" or "designated" as such on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. 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 statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

All derivative financial instruments fall into the category of FVTPL, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- *HTM investments*

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss. The Group currently has not classified any assets in to this category.

- *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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14. Financial instruments (continued)

5.14.2. Classification and subsequent measurement of financial assets (continued)

- *AFS financial assets (continued)*

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

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

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.

AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

5.14.3. Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trust certificates issued, borrowings, leasing creditors, due to banks, trade payables and other liabilities s and derivative financial instruments.

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

- *Financial liabilities other than at fair value through profit or loss(FVTPL)*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Borrowings*

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

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- *Murabaha finance payables*

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14. Financial instruments (continued)

5.14.3. Classification and subsequent measurement of financial liabilities (continued)

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Leasing and hire purchase payables*

Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges. Finance charges in respect of such liabilities are charged to the consolidated statement of income as incurred.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

- *Financial liabilities at fair value through profit or loss(FVTPL)*

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

- *Derivative financial instruments*

The Group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of income.

5.14.4. 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14. Financial instruments (continued)

5.14.5. Offsetting of financial instruments

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

5.14.6. 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 37.

5.15. 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. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

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

5.16. 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.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the 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 KD and the Group's share of foreign currency translation reserves shown in the associates statement of financial position.
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent Company 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.

5.17. 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17. Treasury shares (continued)

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of 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.

5.18. Provisions, contingent assets and contingent liabilities

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

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

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

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

5.19. Foreign currency translation

5.19.1. Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. 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.

5.19.2. 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. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.19.3. 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.19. Foreign currency translation (continued)

5.19.3. Foreign operations (continued)

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

5.20. End of service indemnity

The parent and its local subsidiaries 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.

5.21. Pensions (Related to the foreign subsidiaries)

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisors.

Contributions to defined contribution schemes are charged to the consolidated statement of income on an accrual basis.

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of income and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised actuarial gains and losses, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised in full in other comprehensive income.

5.22. Share-based Payment

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.23. Taxation

5.23.1. 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. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

5.23.2. 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 Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.23.3. 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.

For the year ended 31 December 2013 and 2014, the Parent Company has no liability towards NLST, KFAS and Zakat due to tax losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.23.4. Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.24. Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

5.25. Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

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. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or other comprehensive income.

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

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

All other financial assets are classified as available for sale.

6.1.2. Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of income.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.3 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.

6.1.4. Equity method accounting for entities in which the Group holds less that 20% of the voting rights

Management has assessed the level of influence that the Group has over its material associate, Mabanee Company - KPSC and determined that it has significant influence even though the share holding in this associate is below 20%, because of the factors mentioned in note 17.3. Consequently, this investment has been classified as an associate and has been accounted for using the equity method.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

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 goodwill and other intangible assets

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6.2.2. 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.

During the 2014 the Group recognised an impairment loss of KD2,171 thousand (2013: KD118 thousand) against investments in associates.

6.2.3. 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. In 2014 the Group recognised an impairment loss on available for sale investments (see note 19).

6.2.4. Impairment of loans and receivables

The Group's management reviews periodically items classified as loans and receivables (including wakala investments note 22) to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. In 2014 the Group has recognised impairment losses on loans and receivables of KD1,441 thousand (2013: KD898 thousand).

6.2.5. Impairment of inventories

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

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2. Estimates uncertainty (continued)

6.2.5. Impairment of inventories (continued)
At the financial position date, gross inventories were KD33,571 thousand (2013: KD33,142 thousand), with provision for old and obsolete inventories of KD1,548 thousand (2013: KD1,234 thousand). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

6.2.6. 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 and other obsolescence that may change the utility of certain software and property, plant and equipment.

6.2.7. 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.

6.2.8. Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

6.2.9. Defined benefits obligation
Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses (as analysed in note 33).

6.2.10. Provision for Taxation
The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made (refer note 12.c).

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest held by the Group 31 Dec. 2014 %	31 Dec. 2013 %
Al Durra National Real Estate – KSC (Closed)	Kuwait	Real Estate	100*	100
National Combined Industries Holding Company for Energy – KSC (Closed)	Kuwait	Investments	100*	100
Pearl National Holding – KSC (Closed)	Kuwait	Investments	100*	100
Economic Holding Company – KSC (Closed)	Kuwait	Investments	100*	100
NIG (Guernsey) Limited	Guernsey	Specialist Engineering	100	100
NIC Holdings (UK) Plc	United Kingdom	Specialist Engineering	100	100
BI Group Plc	United Kingdom	Specialist Engineering	100	100
Proclad Group Limited	UAE	Specialist Engineering	100	100
NI Group (Bahrain) EC	Bahrain	Investments	100	100
Eagle Proprietary Investments Limited	UAE	Investments	100	100
Pearl Offshore Enterprises Limited	BVI	Investments Holdings	100	100
Denham Investment Limited	Cayman Islands	Investments	85	85
Ikarus Petroleum Industries Company – KPSC	Kuwait	Petroleum	72	72
National Industries Company - KPSC	Kuwait	Industrial	51	51
Noor Financial Investment Company – KPSC	Kuwait	Investments	51	51

* The Parent Company's direct holding of the above fully owned subsidiaries are 97%, 96%, 99% and 97% respectively.

7.2 Subsidiaries with material non-controlling interests

The Group includes three subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI 31 Dec. 2014	31 Dec. 2013	Profit allocated to NCI 31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	Accumulated NCI 31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Noor Financial Investment Company - KPSC (NFI)	49%	49%	2,349	3,966	48,377	45,884
National Industries Company - KPSC (NIC)	49%	49%	3,418	(34)	51,444	46,945
Ikarus Petroleum Industries Company – KPSC (IPI)	28%	28%	2,831	3,074	41,123	49,317
Individual immaterial subsidiaries with non-controlling interests			(49)	(535)	5,785	5,830
			8,549	6,471	146,729	147,976

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 December 2014		
	NFI KD '000	NIC KD '000	IPI KD '000
Non-current assets	143,232	69,061	165,838
Current assets	57,341	41,887	15,502
Total assets	200,573	110,948	181,340
Non-current liabilities	106,909	5,451	30,364
Current liabilities	29,985	13,299	6,681
Total liabilities	136,894	18,750	37,045
Equity attributable to the shareholders of the Parent Company	22,962	45,298	103,454
Non-controlling interest (including non controlling interests in the subsidiary's statement of financial position)	40,717	46,900	40,841

	31 December 2013		
	NFI KD '000	NIC KD '000	IPI KD '000
Non-current assets	143,556	70,701	190,694
Current assets	62,535	36,481	15,874
Total assets	206,091	107,182	206,568
Non-current liabilities	102,425	5,153	32,364
Current liabilities	39,089	18,793	961
Total liabilities	141,514	23,946	33,325
Equity attributable to the shareholders of the parent company	22,532	40,787	124,208
Non-controlling interest(including non controlling interests in the subsidiary's statement of financial position)	42,045	42,449	49,035

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

	For the year ended 31 December 2014		
	NFI KD '000	NIC KD '000	IPI KD '000
Revenue	31,610	48,865	14,212
Profit for the year attributable to the shareholders of the Parent Company	466	3,731	7,251
Profit for the year attributable to NCI	(414)	3,629	2,862
Profit for the year	52	7,360	10,113
Other comprehensive income for the year attributable to the shareholders of the parent company	1,559	743	(22,668)
Other comprehensive income for the year attributable to NCI	1,637	786	(8,949)
Total other comprehensive income for the year	3,196	1,529	(31,617)
Total comprehensive income for the year attributable to the shareholders of the parent company	2,025	4,474	(15,417)
Total comprehensive income for the year attributable to NCI	1,223	4,415	(6,087)
Total comprehensive income for the year	3,248	8,889	(21,504)
Dividends paid to non controlling interests	-	-	(2,075)

	For the year ended 31 December 2013		
	NFI KD '000	NIC KD '000	IPI KD '000
Revenue	30,165	45,675	13,852
Profit for the year attributable to the shareholders of the Parent Company	4,587	315	7,906
Profit for the year attributable to NCI	2,637	364	3,121
Profit for the year	7,224	679	11,027
Other comprehensive income for the year attributable to the shareholders of the Parent Company	(2,743)	1,315	28,275
Other comprehensive income for the year attributable to NCI	(53)	1,282	11,162
Total other comprehensive income for the year	(2,796)	2,597	39,437
Total comprehensive income for the year attributable to the shareholders of the parent company	1,844	1,630	36,181
Total comprehensive income for the year attributable to NCI	2,584	1,646	14,283
Total comprehensive income for the year	4,428	3,276	50,464
Dividends paid to non controlling interests	-	(2,053)	(2,505)

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 *Subsidiaries with material non-controlling interests (continued)*

	For the year ended 31 December 2014		
	NFI KD '000	NIC KD '000	IPI KD '000
Net cash flow from operating activities	12,404	15,171	(1,262)
Net cash flow from investing activities	5,106	(3,660)	8,192
Net cash flow from financing activities	(19,084)	(6,367)	(7,208)
Net cash (outflow)/ inflow	(1,574)	5,144	(278)

	For the year ended 31 December 2013		
	NFI KD '000	NIC KD '000	IPI KD '000
Net cash flow from operating activities	1,089	8,804	1,529
Net cash flow from investing activities	20,446	(423)	13,717
Net cash flow from financing activities	(25,007)	(11,423)	(15,760)
Net cash outflow	(3,472)	(3,042)	(514)

7.3. *Acquisition of subsidiary*

During the current year, one of the Group's local subsidiaries acquired 60% equity stake in Cable Sat Satellite Service Company, a Kuwait Limited Liability Company (engaged in renting and sale of indefeasible right of use) and the acquisition was accounted in accordance with IFRS 3 as follows:

	KD '000
Total consideration	2,511
Value of non-controlling interests	638
	3,149
Less : Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and Bank balances	1
Trade and other receivable	46
Intangible assets (note 15.2)	8,326
Trade and other payable	(5,224)
Total identifiable net assets	3,149
Goodwill	-

The initial accounting for business combination is provisional due to its complexity, and will be adjusted retrospectively (if required) when the final Purchase Price Allocation is completed during the one year measurement period from the acquisition date.

The result of the newly acquired subsidiary was consolidated to the Group's results effective from 1 July 2014 and the financial position as at 31 December 2014 was consolidated with the Group's financial position as of that date. Accordingly, Cable Sat Satellite Service Company WLL as a subsidiary contributed revenue and profit of KD204 thousand and KD38 thousand to the net result of the Group respectively.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.4 Certain non-controlling interests in the above subsidiary companies are held on behalf of the Parent Company by third party nominees.

7.5 Pearl Offshore Enterprises Limited is a special purpose vehicle (SPV) which was incorporated during the year 2011 and total assets with a carrying value of KD103,631 thousand (2013: KD86,156 thousand) and total liabilities of KD66,876 thousand (2013: KD47,044 thousand) of the Parent Company are held by the SPV.

8 Income from investments

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Dividend income:		
- From investments at fair value through profit or loss	**1,633**	233
- From available for sale investments	**13,997**	19,583
Profit on sale of available for sale investments	**37,597**	21,902
Realised gain on investments at fair value through profit or loss	**1,617**	114
Unrealised gain on investments at fair value through profit or loss	**1,172**	3,947
Deemed gain on acquisition of available for sale investments	**-**	2,880
	56,016	48,659

9 Interest and other income

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Interest/profit on bank balances, short term deposits, murabaha and wakala investments	**504**	531
Income from financing of future trade by customers	**351**	355
Effect of unwinding of discount on receivables	**-**	401
Reversal of impairment provision on wakala investment (note 22)	**-**	874
Management and placement fees	**54**	306
Gain on bargain purchase of a subsidiary	**-**	194
Reversal of provision for onerous property leases and dilapidations	**-**	138
Others	**442**	1,760
	1,351	4,559

Notes to the consolidated financial statements (continued)

10 Net gain or (loss) on financial assets

Net gain or (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Loans and receivables		
- bank balances and short term deposits	326	339
- murabaha and wakala investments	178	192
- accounts receivable and other assets (income from future trade)	351	355
- impairment in value of receivable and other assets	(1,441)	(898)
- effect on unwinding of discount on receivable	-	401
- Reversal of impairment provision on wakala investment	-	874
At fair value through profit or loss		
- held for trading	3,172	2,628
- designated as such on initial recognition	1,250	1,666
Available for sale investments		
- recognised in other comprehensive income (including non-controlling interests share)	(13,581)	31,814
- recycled from other comprehensive income to consolidated statement of profit or loss		
• On impairment	(28,205)	(24,706)
• On disposal	26,190	22,147
- recognised directly in consolidated statement of profit or loss	25,404	22,218
	13,644	57,030
Net gain recognised in the consolidated statement of profit or loss	27,225	25,216
Net (loss)/gain recognised in the other comprehensive income	(13,581)	31,814
	13,644	57,030

11 Finance costs

Finance costs relate mainly to due to banks, short and long term borrowings, and lease creditors. All these financial liabilities are stated at amortised cost.

12 Taxation and other statutory contributions

(a) Taxation of foreign subsidiaries*

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Current tax expense		
Current year charge	(56)	(676)
Deferred tax expense		
Current year (charge)/credit	(211)	208
	(267)	(468)

Notes to the consolidated financial statements (continued)

12 Taxation and other statutory contributions (continued)

(b) KFAS, NLST and Zakat of local subsidiaries **

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(173)	(196)
Provision for National Labour Support Tax (NLST)	(470)	(513)
Provision for Zakat	(220)	(198)
	(863)	(907)

(c) Other taxation - local subsidiary ***

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Current year charge	(334)	-
Under provision in relation to previous years	(989)	-
	(1,323)	-
	(2,453)	(1,375)

*The above tax is calculated based on the tax law adopted in United Kingdom.

**The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current year (2013: Nil) as the net taxable results attributable to the Parent Company was a loss.

***The above represents tax related to dividend income received from investments in a GCC Country. During the year one of the local subsidiaries has discovered that there may be a potential tax liability on dividend income received from foreign entities located in a GCC country (at the rate of 5%), which the subsidiary's management was not aware of in the past. No tax claims or assessments have been made by any regulatory authority as of reporting date. However based on advice received from consultants and other information available to the management, on a conservative basis, the Group has decided to make a provision of KD1,323 thousand for any potential liability which may arise on the dividends received from the foreign entities during the current and previous years. The provision has been included under accounts payable and other liabilities.

13 Profit for the year

Profit for the year is stated after charging:

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Staff costs	32,712	27,553
Depreciation	6,848	9,646

The number of staff employed by the Parent Company at 31 December 2014 was 73 (2013: 67).

Notes to the consolidated financial statements (continued)

14 Basic and diluted earnings per share attributable to the owners of the Parent

Earnings per share are calculated by dividing the profit for the year attributable to the owners of the Parent by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2014	Year ended 31 Dec. 2013
Profit for the year attributable to the owners of the Parent (KD '000)		
- from continuing operations	**28,282**	8,352
- from discontinued operations	**-**	1,824
Total	**28,282**	10,176
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,325,056,996**	1,325,056,996
Basic and diluted earnings per share		
- from continuing operations	**21.3 Fils**	6.3 Fils
- from discontinued operations	**-**	1.4 Fils
Total	**21.3 Fils**	7.7 Fils

The weighted average numbers of shares outstanding during the previous year have been restated to add the bonus shares issued during the year (Note 32).

The earnings per share reported during the previous year from continuing operations and discontinued operations were 6.7 Fils and 1.4 Fils respectively.

15 Goodwill and intangible assets

15.1 Goodwill

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Balance at 1 January	**9,221**	7,083
Additions	**-**	1,990
Adjustments	**34**	-
Foreign exchange adjustment	**(10)**	148
	9,245	9,221

15.2 Intangible assets – Indefeasible right of use (IRU)

The Intangible assets comprise of indefeasible right of use and the movement is as follows:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Cost		
At the beginning of the year	**-**	-
Addition due to acquisition of a subsidiary (note 7.3)	**8,326**	-
Balance at the end of the year	**8,326**	-
Accumulated amortization		
At the beginning of the year	**-**	-
Charge for the year	**(41)**	-
At the end of the year	**(41)**	-
Net book value at the end of the year	**8,285**	-
Total goodwill and intangible assets	**17,530**	9,221

Notes to the consolidated financial statements (continued)

16 Property, plant and equipment

Year ended 31 December 2014

	Land KD '000	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2014	1,365	16,710	71	35,244	84,394	10,850	13,672	2,712	3,371	168,389
Foreign exchange adjustments	50	(47)	-	82	(437)	54	6	(115)	-	(407)
Additions/transfer/ consolidation of new subsidiaries	-	(236)	476	192	3,460	452	2,634	169	13	7,160
Write off	-	-	-	-	(7)	(166)	(72)	-	-	(245)
Disposals	-	-	-	-	(4,443)	(30)	-	-	-	(4,473)
At 31 December 2014	1,415	16,427	547	35,518	82,967	11,160	16,240	2,766	3,384	170,424
Accumulated depreciation and impairment losses										
At 1 January 2014	-	2,768	42	23,416	51,517	9,202	9,205	1,527	-	97,677
Foreign exchange adjustments	-	2	(3)	15	(211)	4	5	(78)	-	(266)
Charge for the year	-	636	5	798	3,991	755	504	159	-	6,848
Write off	-	-	-	-	(7)	(159)	(49)	-	-	(215)
Relating to disposals	-	-	-	-	(4,244)	(23)	-	-	-	(4,267)
At 31 December 2014	-	3,406	44	24,229	51,046	9,779	9,665	1,608	-	99,777
Net book value										
At 31 December 2014	1,415	13,021	503	11,289	31,921	1,381	6,575	1,158	3,384	70,647

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction mainly represents the cost incurred, on the expansion of one of the subsidiaries existing factories and the construction of a manufacturing lines by a subsidiary. During the prior year, portions of the manufacturing lines which were completed and ready for intended use were capitalised in the appropriate categories. The costs relating to the remaining manufacturing lines and facilities will be transferred to the appropriate asset categories when the assets are ready for their intended use.

Notes to the consolidated financial statements (continued)

16 Property, plant and equipment (continued)

Year ended 31 December 2013

	Land KD '000	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2013	-	15,818	120	30,449	76,030	10,628	13,423	1,996	5,819	154,283
Foreign exchange adjustments	-	155	-	-	691	2	(2)	80	-	926
Additions/transfer/ consolidation of new subsidiaries	1,945	737	2	5,122	9,334	667	848	636	(2,448)	16,843
Write off	-	-	-	(131)	(1,182)	(403)	(379)	-	-	(2,095)
Disposals	(580)	-	(51)	(196)	(479)	(44)	(218)	-	-	(1,568)
At 31 December 2013	1,365	16,710	71	35,244	84,394	10,850	13,672	2,712	3,371	168,389
Accumulated depreciation and impairment losses										
At 1 January 2013	-	2,112	40	22,677	45,914	8,804	9,281	1,461	-	90,289
Foreign exchange adjustments	-	18	2	1	482	5	(2)	37	-	543
Charge for the year	-	638	5	1,065	6,618	822	469	29	-	9,646
Write off	-	-	-	(131)	(1,158)	(386)	(336)	-	-	(2,011)
Relating to disposals	-	-	(5)	(196)	(339)	(43)	(207)	-	-	(790)
At 31 December 2013	-	2,768	42	23,416	51,517	9,202	9,205	1,527	-	97,677
Net book value										
At 31 December 2013	1,365	13,942	29	11,828	32,877	1,648	4,467	1,185	3,371	70,712

Notes to the consolidated financial statements (continued)

17 Investment in associates

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and principal place of business	Nature of business	Percentage ownership 31 Dec. 2014	Percentage ownership 31 Dec. 2013
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	**49**	49
Privatization Holding Company – KPSC (Quoted)	Kuwait	Financial services	**33**	33
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	**26**	26
Airport International Group - P.S.C	Jordan	Airport operations	**24**	24
Mabanee Company - KPSC - (Quoted)	Kuwait	Real estate	**18**	19

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Movement during the year is as follows:		
Balance at 1 January	**294,406**	287,497
Additions during the year	**2,490**	10,820
Share of results	**41,720**	18,398
Share of other comprehensive income	**2,472**	2,702
Dividend received	**(9,122)**	(8,201)
Disposal of associates	**(3,284)**	(6,131)
Impairment in value	**(2,171)**	(118)
Reclassification	**-**	(5,084)
Foreign currency translation adjustment	**4,457**	(3,349)
Other adjustments	**-**	(2,128)
Balance at the end of the year	**330,968**	294,406

17.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.

17.2 A major portion of an associate with a carrying value of KD113,514 thousand (2013: KD90,233 thousand) have been subject to an exchangeable option (note 27 c).

17.3 During the current year, the Group partially disposed an insignificant stake of Mabanee Company KPSC which resulted in a net gain of KD1,140 thousand. Although the Group owns 18 % of the investee, the Group exercises significant influence over the associate by way of board representation.

17.4 Consequent to the adoption of IFRS 10 – "consolidated financial statements", the Group has reclassified two of its investment in associates (which were individually not significant to the Group) to subsidiaries and has consolidated it to the Group during previous year and the impact of the consolidation of these new subsidiaries to the Group was not material for previous years.

17.5 Summarised financial information in respect of each of the Group's material associates named above, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.5.1 Mabanee Company - KPSC

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Non-current assets	**902,948**	662,451
Current assets	**32,369**	29,800
Non-current liabilities	**(196,673)**	(120,014)
Current liabilities	**(59,004)**	(56,305)
Non controlling interest	**(444)**	(89)
Equity attributable to the shareholders of the associate	**679,196**	515,843

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Revenue	**186,718**	63,604
Profit for the year	**178,686**	53,750
Other comprehensive income for the year	**2,170**	807
Total comprehensive income for the year	**180,856**	54,557
Dividends received from the associate during the year	**3,260**	2,426

A reconciliation of the above summarised financial information to the carrying amount of the investment in Mabanee Company - KPSC is set out below:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Net assets of the associate attributable to the shareholders of the associate	**679,196**	515,843
Proportion of the Group's ownership interest	**18.04%**	18.53%
Interest in the associate	**122,527**	95,586
Goodwill	**11,146**	13,098
Other Adjustments	**411**	811
Carrying value of the investment	**134,084**	109,495

As at 31 December 2014 the fair value of the Group's interest in Mabanee Company - KPSC, which is listed on the Kuwait Stock Exchange was KD126,617 thousand (2013: KD146,050 thousand), based on the quoted market price available on the exchange, which is a level 1 Input in terms of IFRS 13.

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.5.2 Kuwait Cement Company – KPSC

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Non-current assets	252,242	243,807
Current assets	75,987	66,937
Non-current liabilities	(86,409)	(75,448)
Current liabilities	(41,973)	(41,150)
Equity	199,847	194,146

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Revenue	59,536	69,035
Profit for the year	14,080	17,160
Other comprehensive income for the year	4,457	3,538
Total comprehensive income for the year	18,537	20,698
Dividends received from the associate during the year	3,381	2,436

A reconciliation of the above summarised financial information to the carrying amount of the investment in Kuwait Cement Company – KPSC is set out below:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Net assets of the associate attributable to the shareholders of the associate	199,847	194,146
Proportion of the Group's ownership interest in the associate	25.617%	25.617%
Interest in the associate	51,195	49,734
Goodwill	14,893	14,893
Other Adjustments	4,371	4,255
Carrying value of the investment	70,459	68,882

As at 31 December 2014 the fair value of the Group's interest in Kuwait Cement Company – KPSC, which is listed on the Kuwait Stock Exchange was KD71,382 thousand (2013: KD67,625 thousand), based on the quoted market price available on the exchange, which is a level 1 Input in terms of IFRS 13.

17.5.3 Meezan Bank Ltd.

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Non-current assets	246,520	394,529
Current assets	1,043,025	493,496
Non-current liabilities	(103,427)	(464,118)
Current liabilities	(1,108,860)	(369,152)
Equity	77,258	54,755

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.5.3 Meezan Bank Ltd. (continued)

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Revenue	**53,308**	39,787
Profit for the year	**22,460**	12,515
Other comprehensive income for the year	**(1,109)**	(1,854)
Total comprehensive income for the year	**21,351**	10,661
Dividends received from the associate during the year	**2,481**	1,833

A reconciliation of the above summarised financial information to the carrying amount of the investment in Meezan Bank Ltd is set out below:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Net assets of the associate attributable to the shareholders of the associate	**77,258**	54,755
Proportion of the Group's ownership interest in the associate	**49.11%**	49.11%
Interest in the associate	**37,941**	26,890
Goodwill	**9,262**	7,591
Carrying value of the investment	**47,203**	34,481

As at 31 December 2014 the fair value of the Group's interest in Meezan Bank Ltd, which is listed on the Karachi Stock Exchange was KD67,661 thousand (2013: KD51,836 thousand), based on the quoted market price available on that exchange, which is a level 1 input in terms of IFRS 13.

Share of results of associates include KD4,035 thousand which represents the Group's share of gain on bargain purchase recognised by Meezan Bank Ltd. This has been designated by the Pakistan regulators as non distributable.

17.5.4 Privatization Holding Company – KPSC

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Non-current assets	**144,313**	137,698
Current assets	**39,311**	41,074
Non-current liabilities	**(28,514)**	(16,055)
Current liabilities	**(41,630)**	(59,313)
Non controlling interests	**(894)**	(805)
Equity	**112,586**	102,599

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.5.4 Privatization Holding Company – KPSC (continued)

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Revenue	**13,539**	10,938
Profit/(loss) for the year	**4,326**	(1,202)
Other comprehensive income for the year	**5,867**	(539)
Total comprehensive income for the year	**10,193**	(1,741)
Dividends received from the associate during the year	**-**	1,474

A reconciliation of the above summarised financial information to the carrying amount of the investment in Privatization Holding Company – KPSC is set out below:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Net assets of the associate attributable to the shareholders of the associate	**112,586**	102,599
Proportion of the Group's ownership interest in the associate	**33.3%**	33.3%
Interest in the associate	**37,491**	34,152
Other Adjustments	**(3,843)**	(1,791)
Carrying value of the investment	**33,648**	32,361

As at 31 December 2014 the fair value of the Group's interest in Privatization Holding Company – KPSC, which is listed on the Kuwait Stock Exchange was KD12,157 thousand (2013: KD16,701 thousand), based on the quoted market price available on the exchange, which is a level 1 Input in terms of IFRS 13.

17.5.5 Airport International Group P.S.C

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Non-current assets	**254,283**	231,427
Current assets	**41,588**	24,836
Non-current liabilities	**(117,639)**	(102,105)
Current liabilities	**(52,737)**	(29,943)
Equity	**125,495**	124,215

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Revenue	**55,973**	43,473
Loss for the year	**(11,379)**	(3,637)
Other comprehensive income for the year	**(1,570)**	7,086
Total comprehensive income for the year	**(12,949)**	3,449

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.5.5 Airport International Group P.S.C (continued)

A reconciliation of the above summarised financial information to the carrying amount of the investment in Airport International Group P.S.C is set out below:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Net assets of the associate attributable to the shareholders of the Group	125,495	124,215
Proportion of the Group's ownership interest	24%	24%
Interest in the associate	30,119	29,812
Other Adjustments	418	553
Carrying value of the investment	30,537	30,365

Airport International Group P.S.C, is an unquoted investment.

17.6 Aggregate information of associates that are not individually material to the Group

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
The Group's share of result for the year	(3,861)	(1,600)
The Group's share of other comprehensive income for the year	(93)	(3,110)
The Group's share of total comprehensive income	(3,955)	(4,710)
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	15,037	18,822

17.7 The Group's share of associates' contingent liabilities amounted to KD91,859 thousand (2013: KD75,198 thousand). This includes the group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD55,875 thousand (2013: KD40,662 thousand).

18 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Fair value as at 1 January	49,943	25,259
Additions	16,869	22,793
Disposal	(9,525)	-
Change in fair value	4,138	1,891
	61,425	49,943

Notes to the consolidated financial statements (continued)

18 Investment properties (continued)

Investment properties comprise of land and buildings in the following countries:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Kuwait	54,506	43,618
Saudi	6,163	5,925
Jordan	415	400
UAE	341	-
Total	61,425	49,943

a) Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers. (refer note 37 for details).

b) Investments properties amounting to KD34,040 thousand (2013: KD22,350 thousand) are secured against bank loans (refer note 27). Further during the year the Group has acquired properties for a consideration of KD6,533 thousand (2013: KD6,091 thousand) in Kuwait which have been partly financed by Ijara Financing agreements amounting to KD3,250 thousand (2013: KD3,000 thousand) (refer note 30).

19 Available for sale investments

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Non Current		
Managed funds		
- Local	2,500	2,634
- Foreign	120,835	152,493
	123,335	155,127
Unquoted equity participations		
- Local	23,781	32,146
- Foreign	176,375	145,677
	200,156	177,823
Quoted shares		
- Local	104,398	109,730
- Foreign	189,030	230,605
	293,428	340,335
	616,919	673,285
Current		
Quoted shares (a)		
- Local	63,061	73,369
- Foreign	291	2,589
	63,352	75,958
	680,271	749,243

Notes to the consolidated financial statements (continued)

19 Available for sale investments

a) The quoted shares classified as current at 31 December represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 23 a).

b) Managed funds include investments in private equity funds with a carrying value of KD30,559 thousand (2013: KD54,610 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) At the end of the year, the Group recognised an impairment loss of KD12,826 thousand (2013: KD6,512 thousand) for certain local and foreign quoted shares, as the market value of these shares at reporting dates declined significantly below their costs. Further the Group also recognised an impairment loss of KD15,379 thousand (2013: KD18,194 thousand) against certain unquoted shares, local and foreign funds based on estimates made by management as per information available to them and the net assets values reported by the investment managers.

d) Unquoted investments and managed funds of KD57,520 thousand (2013: KD60,547 thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The Group's management is not aware of any circumstance that would indicate impairment/further impairment in value of these investments.

e) Investments with a fair value of KD200,309 thousand (2013: KD183,326 thousand) are secured against short term borrowings (refer note 30) and long term borrowings (refer note 27).

20 Inventories

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Finished goods and work-in-progress	16,313	14,179
Raw materials and consumables	13,626	15,680
Spare parts and others	3,219	2,961
Goods in transit	413	322
	33,571	33,142
Provision for obsolete and slow moving inventories	(1,548)	(1,234)
	32,023	31,908

Notes to the consolidated financial statements (continued)

21 Accounts receivable and other assets

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Financial assets		
Net trade receivables	22,855	22,819
Amount due on disposal of foreign investment properties (refer note 21b and 21c)	938	7,646
Amounts due on sale of investments	21,615	2,438
Due from associates	1,724	2,331
Due from other related parties	955	1,068
Due from key management personnel	233	233
Advance payments to acquire investments	68	2,039
Due from Kuwait Clearing Company (future trade)	5,250	5,544
Due from investment brokerage companies	2,124	5,033
Interest and other accrued income	1,222	1,863
Other financial assets	12,914	12,588
	69,898	63,602
Less: amount due after one year	(2,102)	(2,086)
	67,796	61,516
Non-financial assets		
Other assets	2,813	4,658
	2,813	4,658
	70,609	66,174

a) Trade receivables are non-interest bearing and generally on 30 to 90 days terms.

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

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Neither past due nor impaired	16,828	15,805
Past due but not impaired		
- less than 3 months	2,320	2,364
- 3 – 6 months	3,707	4,650
Total trade receivables	22,855	22,819

Trade receivables that are less than six months past due, are not considered impaired since they relate customers for whom there is no recent history of default.

b) Due on sale of foreign investment properties has been discounted based on an effective interest rate of 5.5% to give effect to the deferred payment term. The effect of unwinding of discount for the year ended 31 December 2014 on this receivable amounted to KD Nil (2013: KD401 thousand has been recognised in other income).

c) The consideration due on sale of the Group's investment property in the Kingdom of Saudi Arabia amounting to KD26,535 thousand (sold during 2011) was due in instalments. Out of the consideration due, KD20,794 thousand has been settled in cash and KD4,803 thousand has been settled by transferring another real estate property situated in KSA based on a valuation. The Group's management expects that the remaining due amount of KD938 thousand will be settled during 2015.

d) During the year, the Group recognised an impairment loss of KD1,441 thousand (2013: KD898 thousand) against trade and other receivables.

Notes to the consolidated financial statements (continued)

22 Murabaha and wakala investments

	Effective profit rate % (per annum) 2014	2013	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Due from a local Islamic investment company/ due from related parties			14,324	14,324
Provision for impairment in value			(14,324)	(14,324)
			-	-
Placed with local Islamic banks	0.5%	0.25%-0.625%	598	4,500
			598	4,500

No other profit was recognised on impaired wakala investments during the current year (2013: Nil).

Wakala investments of KD14,324 thousand (2013: KD14,324 thousand) placed with a local Islamic investment company matured in 2008. The investee company defaulted on settlement of these balances on the maturity date.

During the previous years, the one of the local subsidiaries' of the Group assumed the financial and legal obligations on wakala investments of KD9,968 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement.

The Group has initiated legal proceedings against the parties to recover the amount including profits thereon. During the year the court of appeal has ordered the related parties to pay KD8,285 thousand with 7% of profit thereon to the Group. However, the related parties have submitted appeals to the court of cassation against the order of the court of appeal. The legal proceeding relating to remaining amounts are still in process.

23 Investments at fair value through profit or loss

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Held for trading :		
Quoted shares		
- Local	26,193	31,282
- Foreign	6,776	6,555
	32,969	37,837
Quoted debt instruments - foreign	-	276
	32,969	38,113
Designated on initial recognition :		
Local funds	7,936	11,030
International managed portfolios and funds	18,801	16,056
	26,737	27,086
	59,706	65,199

Notes to the consolidated financial statements (continued)

23 Investments at fair value through profit or loss (continued)

a) In 2008, as a result of significant developments in the global financial markets, the Group had reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "fair value through profit or loss" category to "available for sale" category. The fair value of remaining reclassified investments as of 31 December 2014 is KD63,352 thousand (2013: KD75,958 thousand).

b). During 2008, a local money market fund, in which the Group has investments totaling to KD1,624 thousand as at 31 December 2014 (2013: KD1,616 thousand), suspended redemption requests. Management has been informed by the managers of the funds that redemptions will be made depending on availability of liquid funds. The investment has been fair valued based on the unaudited net asset value reported by the fund manager as of 31 May 2014. The Group's management expects to realise these investments at not less than its carrying value.

c). Quoted shares, held by local subsidiaries, with a fair value of KD9,840 thousand (2013: KD11,502 thousand) are secured against short term borrowings (refer note 30) and long term borrowings (refer note 27).

24 Share capital and share premium

a) As of 31 December 2014, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2013: 1,295,098,167 shares).

b) At the Annual General Meeting held on 28 May 2014, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 64,754,908 shares of 100 Fils each amounting to KD6,475 thousand.

c) Share premium is not available for distribution.

25 Treasury shares

	31 Dec. 2014	31 Dec. 2013
Number of shares	**34,796,079**	33,139,123
Percentage of issued shares	**2.56%**	2.56%
Market value (KD '000)	**6,611**	7,688
Cost (KD'000)	**30,375**	30,375

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

As at 31 December 2014 and 2013, one of the associate companies of the Group held 121,361,979 (2013: 115,582,837) shares of the Parent Company's shares equivalent to 8.9% (2013: 8.9%) of the Parent Company's shares issued.

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, other components of equity and Non-controlling interests

a) Cumulative change in fair value

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Balance at 1 January	164,439	140,199
Other comprehensive income:		
Net change in fair value of available for sale investments	(6,229)	20,880
Transferred to consolidated statement of profit or loss on disposal of available for sale of investments	(22,953)	(18,695)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	23,288	18,821
Share of fair value adjustment in associates	2,240	3,234
Other comprehensive income for the year	**(3,654)**	24,240
Balance at 31 December	**160,785**	164,439

b) Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balance as at 31 December 2012	1,232	507	18,452	(3,270)	16,921
Reserve transfers of subsidiaries	1,371	1,385	-	-	2,756
Other comprehensive income:					
Currency translation differences	-	-	-	(1,125)	(1,125)
Balances at 31 December 2013	2,603	1,892	18,452	(4,395)	18,552
Reallocation to non controlling interests of subsidiary	-	-	-	38	38
Transactions with owners	-	-	-	38	38
Other comprehensive income:					
Currency translation differences	-	-	-	2,836	2,836
Comprehensive income	-	-	-	2,836	2,836
Transfer from reserve of subsidiary *	-	(690)	-	-	(690)
Reserve transfers of subsidiaries	5,939	492	-	-	6,431
Balances at 31 December 2014	8,542	1,694	18,452	(1,521)	27,167

Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors remuneration but after Non-controlling interest is to be transferred to statutory 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 statutory 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 the distribution of a dividend of that amount. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

* During the year, one of the local subsidiaries transferred an amount of KD690 thousand from voluntary reserve to retained earnings.

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, other components of equity and Non-controlling interests (continued)

c) Non-controlling interests

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Balance at 1 January	**147,976**	141,790
Net increase in non-controlling interests on acquisition of subsidiary	**(804)**	747
Redemption of units by non-controlling interests of subsidiary	**-**	(1,532)
Amount due to non-controlling interests on reduction of share capital of subsidiary *	**(3,912)**	(6,642)
Dividend paid to non-controlling interests by the subsidiaries	**(2,075)**	(4,558)
Reallocation to no-controlling interests of a subsidiary **	**1,633**	-
Other net changes in non-controlling interests	**679**	3,258
Transactions with non-controlling interests	**(4,479)**	(8,727)
Profit for the year	**8,549**	6,471
Other comprehensive income :		
Exchange differences arising on translation of foreign operations	**2,138**	(1,834)
Net change in fair value of available for sale investments	**(9,367)**	8,375
Transferred to consolidated statement of profit or loss on disposal of available for sale investments	**(3,237)**	(3,452)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	**4,917**	5,885
Share of other comprehensive income of associates	**232**	(532)
Total other comprehensive income for the year	**(5,317)**	8,442
Total comprehensive income for the year	**3,232**	14,913
Balance at 31 December	**146,729**	147,976

*On 5 March 2014, the shareholders of one of the subsidiaries of the Group decided to further decrease its share capital by KD9,000 thousand out of which KD3,912 thousand pertains to non-controlling interests. An amount of KD3,932 thousand has been paid to non-controlling interests and the balance amount is shown under accounts payable and other liabilities.

** During the year, one of the local subsidiaries reallocated an amount of KD1,633 thousand to non-controlling interests from retained earnings and foreign currency translation reserve of that subsidiary which mainly represents accumulated impact of the misallocation of non-controlling interest's share of profit in previous years. This mainly arose from the full elimination of intergroup profits that a partially owned sub-subsidiary earned on a murabaha investment with the local subsidiary.

Notes to the consolidated financial statements (continued)

27 Long-term borrowings

Currency	Effective Interest rate	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Conventional loans			
Kuwaiti Dinars (note 27c)	3.5% - 5%	**349,330**	387,952
US Dollars	1.75% - 3.25%	**56,274**	63,170
Euro	2% - 4.8%	**1,281**	5,654
		406,885	456,776
Less : Due within one year		**(86,472)**	(68,318)
		320,413	388,458
Islamic financing arrangements			
Murabaha payables (note 27c)	5%	**101,563**	101,757
Other Islamic financing arrangements	3.8% - 5.5%	**61,712**	67,180
		163,275	168,937
Less: Due within one year		**(113,434)**	(27,763)
		49,841	141,174
Total		**370,254**	529,632

a During 2011 and 2012, a local subsidiary of the Group restructured its financing arrangements with some local banks and accordingly loans amounting to KD114,658 thousand (net of repayment of KD43,893 thousand) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 31 December 2014, these are partly secured (notes 18, 19 and 23) and the process of identification and securitization of the required balance has not been completed as yet.

The local subsidiary is currently in the process of rescheduling the original repayment plan of its loans amounting to KD114,658 thousand including an amount of KD37,303 thousand which was due within one year and KD77,355 thousand due after one year. Loan instalments totalling to KD16,999 thousand from two lending bankers fell due and the lenders have agreed to rollover the balance and continue discussions with the subsidiary to reschedule the dues. Subsequent to the reporting date, the subsidiary has paid KD7,812 thousand out of due amounts as agreed during ongoing discussions.

Further, during the previous year one of the subsidiaries has completed the restructuring of the short term US Dollar loan (equivalent to KD32,881 thousand at 30 June 2013) which was obtained from a local bank, by way of entering into an agreement with the same bank. As per the agreement the subsidiary received two secured long term loans aggregating to KD32,364 thousand (a US Dollar loan of 65,000 thousand equivalent to KD18,364 thousand at 31 December 2013 and loan of KD14,000 thousand) which was utilised to repay the old US Dollar loan in full. As per the agreement the loans are to be repaid in instalments commencing from July 2015 and ending in January 2018, and the loan facilities are secured against investments (refer note 19).

b The Euro loans are secured against property, plant and equipment with a book value of KD1,261 thousand (2013: KD1,287 thousand). Also, other Islamic financing arrangement amounting to KD2,933 (2013: KD2,308) are secured against property, plant and equipment with a book value of KD4,605 thousand (2013: KD2,826).

Notes to the consolidated financial statements (continued)

27 Long-term borrowings (continued)

c Long term borrowings include KD101,563 thousand (2013: KD101,757 thousand) of Islamic and KD25,000 thousand (2013: KD25,000 thousand) of conventional borrowings due in 2015 for which the Group provided an exchange option to the respective lenders on the shares of one of its associates having a carrying value of KD113,514 thousand (2013: KD90,233 thousand). Under the terms of the agreements, these shares are kept in a custody portfolio account with a specialised institution.

28 Provisions

	31 Dec. 2014 KD'000	31 Dec. 2013 KD '000
Pension liability (refer note 33)	**4,359**	4,044
Provision for staff indemnity	**10,637**	7,768
Provision for land-fill expenses	**724**	717
Provision for rental property	**295**	359
	16,015	12,888
Less: Provision for rental property – amount due in less than one year	**(206)**	(200)
	15,809	12,688

The provision for rental property relates to onerous property rental costs (net of estimated rent receivable) and dilapidations obligations of foreign subsidiaries which are payable over various periods up to 2017.

29 Accounts payable and other liabilities

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Financial liabilities		
Trade payables	**14,930**	18,128
Accrued interest	**2,729**	3,220
Dividend payable	**950**	1,263
Leasing creditors - amount due in less than one year	**236**	126
Provision for rental property – amount due in less than one year	**206**	200
Payable on acquisition of subsidiary	**1,505**	-
Payable on acquisition of intangible assets	**3,504**	-
National labour support tax	**4,682**	4,755
Kuwait Foundation for the Advancement of Sciences and Zakat	**1,094**	1,154
Other accruals	**8,444**	5,537
Due to associates (refer note 36)	**1,419**	279
Due to other related parties (refer note 36)	**2,456**	1,698
Amounts payable to non controlling interest due to capital reduction of one of the local subsidiary	**1,235**	1,366
Other liabilities	**5,885**	6,595
	49,275	44,321
Non-financial liabilities		
Other creditors	**5,676**	3,312
Accruals	**227**	765
	5,903	4,077
	55,178	48,398

Notes to the consolidated financial statements (continued)

30 Short-term borrowings

Currency	Effective Interest rate	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Conventional loans			
Kuwaiti Dinars	4.5% - 6%	**41,187**	23,335
US Dollars	1% - 5%	**76,095**	46,262
Sterling & Euro	2% - 3.5%	**657**	282
		117,939	69,879
Long term borrowings due within one year		**86,472**	68,318
		204,411	138,197
Islamic financing arrangements			
Murabaha/wakala/Ijara payables	3% - 6.5%	**17,608**	34,415
Long term Islamic financing arrangements due within one year (refer note 27 c)		**113,434**	27,763
		131,042	62,178
Total		**335,453**	200,375

a. Islamic financing arrangements include Ijara payables of KD17,785 thousand (2013: KD7,183 thousand) which is secured against investment properties of local subsidiaries (refer note 18).

b. As of 31 December 2014, one of the local subsidiaries has utilised KD1,500 thousand (net) from KD7,000 thousand loan facility from a local bank which is secured against local investments with a fair value of KD8,260 thousand (2013 : KD8,216 thousand).

c. US Dollar loan equivalent to KD66,793 thousand (2013: KD46,262 thousand) and Kuwait Dinar loans of KD39,993 thousand (2013: KD35,000 thousand) are secured by certain available for sale investments (refer note 19).

31 Cash and cash equivalents

	Effective interest/profit rate %	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Short term deposits	1.5%	**6,715**	2,061
Bank balance and cash	1.5%	**53,354**	32,253
Due to banks	5%-6%	**(21,674)**	(23,074)
		38,395	11,240
Less: Blocked balances		**(2,837)**	(1,424)
Cash and cash equivalents for the purpose of consolidated statement of cash flows		**35,558**	9,816

32 Dividend distribution

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a cash dividend of 12% (2013: Nil) equivalent to 12 Fils per share and bonus shares of Nil (2013: 5%).

33 Defined benefit pensions schemes

The Group has defined benefit pension schemes for the employees of certain subsidiaries in the United Kingdom. The Schemes provide benefits based on final salary and length of service on retirement. The Schemes are subject to the Statutory Funding Objective under the United Kingdom Pensions Act 2004. A valuation of the schemes is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the Trustees of the Schemes the contributions to be paid to address any shortfall against the Statutory Funding Objective.

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

The Schemes are managed by a professional trustee appointed by the Group. The Trustee has responsibility for obtaining valuation of the fund, administering benefit payments and investing the Schemes' assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

The Schemes expose the Group to a number of risks:

- Investment risk: The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short term volatility can cause additional funding to be required if deficit emerges.
- Interest rate risk: The Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Schemes hold assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk: A significant proportion of the benefits under the Schemes are linked to inflation. Although the Schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk: In the event that members live longer than assumed a deficit will emerge in the Schemes.
- For certain sections of the Schemes, members are assumed to commute 20% of their pension for cash at retirement. If on average less pension is taken this would lead to a deficit emerging.
- The Trustee holds insurance policies for some members of the Schemes. There is a very small risk that the insurers may default on their policies which would cause additional funding to be required.

Effect of the Schemes on the Group's future cash flows

The Group is required to agree Schedules of Contributions with the Trustee of the Schemes following the valuation which must be carried out at least once every three years. In the event the valuation reveals a larger deficit than expected the Group may be required to increase contributions above those set out in the existing Schedules of Contributions. Conversely if the position is better than expected contributions may be reduced.

The Group expects to contribute KD751 thousand to its defined benefit plans annually which has been agreed with the pension trustee in line with actuarial advice and aims to eliminate the deficit within an acceptable period of time.

The following disclosures cover all the schemes on an aggregated basis. The schemes are closed to new members and are not accruing further benefits. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the Group's defined benefit pension schemes.

The following assumptions have been used in calculating the liabilities and expenses incurred:

	31 Dec. 2014	31 Dec. 2013
Discount rate at 31 December	**3.50%**	4.35%
Inflation assumption (RPI)	**3.15%**	3.3%
Revaluation in deferment (CPI)	**2.15%**	2.3%
Expected return on plan assets	**3.50%**	4.35%
Future salary increases	**N/A**	N/A
Future pension increases	**3.15%**	3.3%
Mortality after retirement	SAPS (SINA) tables with medium cohort year of birth projections and minimum of 1.25% (2013: 1.25%) per annum improvement.	

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Effect of the Schemes on the Group's future cash flows (continued)
Under the mortality tables adopted, the expected age at death for a member at age 65 is as follows:

	31 Dec. 2014	31 Dec. 2013
Male currently aged 45	**89.3**	89.2
Female currently aged 45	**91.9**	91.8
Male currently aged 65	**87.5**	87.4
Female currently aged 65	**90.0**	89.9

The average of the weighted average duration of the liabilities of each of the schemes is 17 years (2013: 17 years).

Consolidated statement of profit or loss

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Interest cost	**(956)**	(1,109)
Expected return on assets	**798**	870
Settlement on the disposal of subsidiary	**-**	2,217
Accrued expenses	**(3)**	(23)
Net annual charge included in general and administrative expenses	**(161)**	1,955

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated statement of financial position

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Brought forward liability	**4,044**	6,699
Consolidated statement of profit or loss (net)	**161**	(1,955)
Contributions	**(744)**	(800)
Actuarial losses/(gain)	**966**	(13)
Foreign Exchange adjustments	**(68)**	113
Carried forward liability	**4,359**	4,044

Reconciliation of consolidated statement of financial position liability

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Present value of obligations	**24,330**	21,948
Fair value of plan assets	**(20,082)**	(18,030)
Net plan deficit	**4,248**	3,918
Unrecognised actuarial losses	**111**	126
Net liability recognised in the consolidated statement of financial position	**4,359**	4,044

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Effect of the Schemes on the Group's future cash flows (continued)

Changes in the present value of the defined benefit obligation

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Opening defined benefit obligation	**21,948**	28,731
Interest cost	**956**	1,109
Actuarial losses	**2,564**	(85)
Liabilities extinguished on settlement	**-**	(6,781)
Accrued expenses	**3**	23
Benefits paid	**(913)**	(1,422)
Foreign exchange adjustment	**(228)**	373
Closing defined benefit obligation	**24,330**	21,948

Changes in the fair value of the plan assets

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Opening fair value of plan assets	**18,030**	22,175
Expected return	**2,224**	870
Actuarial gain	**189**	(95)
Contributions by employer	**744**	800
Assets disposed on settlement	**(913)**	(1,422)
Benefits paid	**-**	(4,846)
Foreign exchange adjustment	**(192)**	548
Closing fair value of plan assets	**20,082**	18,030

The fair value of the plan assets, by category is as follows:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Plan assets:		
Equities	**8,073**	7,650
Bonds	**11,424**	9,739
Other assets	**585**	641
	20,082	18,030

The actual return on the Schemes' assets net of expenses over the period was 13.2%.

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Sensitivity of the value placed on liabilities
The defined benefit obligation would be affected by changes in the actuarial assumptions. The table below shows the potential impact of relatively small changes in the key assumptions:

Adjustment to assumptions	Approximate effect on liabilities KD '000
Discount rate	
Plus 0.5%	(1,774)
Minus 0.5%	2,016
Inflation	
Plus 0.25%	452
Minus 0.25%	(465)
Life expectancy	
Plus 1 year	813
Minus 1 year	(813)

Note the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

34 Discontinued operations

	Year ended 31 Dec. 2013 KD '000
Diamond H Controls Limited	2,168
BI Electric (Shenzen) Limited	(344)
Total profit for the year from discontinued operations	1,824

Diamond H Controls Limited ("DHC")
During the previous year, DHC was put into liquidation and the Group gave up control of the subsidiary. The operating loss of DHC up to the date of disposal and the profit or loss from remeasurement and disposal of assets and liabilities are summarised below:

	Year ended 31 Dec. 2013 KD '000
Sales	-
Cost of sales	(38)
Gross loss	(38)
General, administrative and other expenses	(1)
Loss from discontinued operations before and after tax, and for the year	(39)
Gain on re-measurement and disposal	
Gain before and after tax on disposal	2,207
Profit for the year from discontinued operations - DHC	2,168

Notes to the consolidated financial statements (continued)

34 Discontinued operations (continued)

BI Electric (Shenzhen) Limited ("BIE")
During the previous year, BIE, a subsidiary of Diamond Asia Controls Manufacturing (Hong Kong) Limited, was put into liquidation and the Group gave up control of the subsidiary. The operating loss of BIE up to the date of disposal and the profit or loss from remeasurement and disposal of assets and liabilities are summarised below:

	Year ended 31 Dec. 2013 KD '000
Sales	755
Cost of sales	(587)
Gross profit	168
Distribution costs	(49)
General, administrative and other expenses	(413)
	(294)
Finance costs	(53)
Loss from discontinued operations before and after tax, and for the year	(347)
Gain on remeasurement and disposal	
Gain before and after tax on disposal	3
Loss for the year from discontinued operations – DHC	(344)

35 Segmental analysis

The Group activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

Notes to the consolidated financial statements (continued)

35 Segmental analysis (Continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering		Hotel & IT services		Total	
	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Segment revenue	**106,643**	76,500	**47,644**	44,660	**65,280**	63,926	**13,654**	7,850	**233,221**	192,936
Less:										
Income from investments									**(56,016)**	(48,659)
Share of result of associates									**(41,720)**	(18,398)
Realised gain on disposal of investment properties									**(740)**	-
Profit of disposal of associates									**(1,140)**	(889)
Change in fair value of investment properties									**(4,138)**	(1,891)
Rent income									**(1,553)**	(1,683)
Interest and other income									**(1,351)**	(4,559)
Sales, per consolidated statement of profit or loss									**126,563**	116,857
Segment profit	**63,074**	39,494	**8,320**	7,559	**4,020**	5,014	**(1,428)**	(76)	**73,986**	51,991
Less:										
Finance costs									**(30,520)**	(34,841)
Other unallocated loss									**(3,752)**	(862)
Profit before taxation, other statutory contributions and directors' remuneration, per consolidated statement of profit or loss									**39,714**	16,288
Segment assets	**1,229,207**	1,222,763	**53,214**	56,362	**78,965**	82,713	**24,562**	15,868	**1,385,948**	1,377,706
Segment liabilities	**(17,549)**	(4,184)	**(18,648)**	(22,002)	**(23,575)**	(26,573)	**(11,693)**	(8,458)	**(71,465)**	(61,217)
Segment net assets	**1,211,658**	1,218,579	**34,566**	34,360	**55,390**	56,140	**12,869**	7,410	**1,314,483**	1,316,489
Borrowings and due to banks									**(727,381)**	(753,081)
Total equity, per consolidated statement of financial position									**587,102**	563,408

Notes to the consolidated financial statements (continued)

35 Segmental analysis (Continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering KD '000	Hotel & IT services KD '000	Total KD '000
At 31 December 2014					
Additions to property, plant and equipment	61	1,494	3,228	2,377	7,160
Depreciation	182	3,546	2,899	221	6,848
Impairment in value of available for sale investments	28,205	-	-	-	28,205
At 31 December 2013					
Additions to property, plant and equipment	741	12,830	3,272	-	16,843
Depreciation	280	6,303	2,872	191	9,646
Impairment in value of available for sale investments	24,706	-	-	-	24,706

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Kuwait	710,059	685,778	58,942	49,778
Outside Kuwait	675,889	691,928	67,621	67,079
	1,385,948	1,377,706	126,563	116,857

36 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group 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:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Transactions and balances included in the consolidated statement of financial position		
Due from related parties (refer note 21)	2,912	3,632
Due to related parties (refer note 29)	3,875	1,977
Current portion of the long term borrowings - murabaha payable to an associate (refer note 27c)	15,040	15,069

Notes to the consolidated financial statements (continued)

36 Related party transactions (continued)

	Year ended 31 Dec. 2014 KD '000	Year ended 31 Dec. 2013 KD '000
Transactions included in the consolidated statement of profit or loss		
Realised gain on sale of available for sale investments – to associate	-	847
Management and placement fees earned from related parties	2	156
Finance cost - paid to associate	774	989
Purchase of raw materials – from associates	4,204	4,192
Compensation of key management personnel of the Group		
Short term employee benefits and directors' remuneration	3,843	3,740
End of service benefits	2,139	121
	5,982	3,861

37 Summary of assets and liabilities by category and fair value measurement

37.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Financial assets:		
Loans and receivables (at amortised cost):		
• Accounts receivable and other financial assets (refer note 21)	69,898	63,602
• Murabaha and wakala investments	598	4,500
• Short term deposits	6,715	2,061
• Bank balance and cash	53,354	32,253
	130,565	102,416
Assets at fair value through profit or loss:		
• Investments at fair value through profit or loss (refer note 23)		
- Held for trading	32,969	38,113
- Designated on initial recognition	26,737	27,086
	59,706	65,199
Available for sale investments (refer note 19)		
- At fair value	622,751	688,696
- At cost / cost less impairment	57,520	60,547
	680,271	749,243
Total financial assets	870,542	916,858
Financial liabilities:		
At amortised cost		
• Long term borrowings	370,254	529,632
• Leasing creditors	478	131
• Accounts payable and other financial liabilities (refer note 29)	49,275	44,321
• Short term borrowings	335,453	200,375
• Due to banks	21,674	23,074
Total financial liabilities	777,134	797,533

Notes to the consolidated financial statements (continued)

37 Summary of assets and liabilities by category (continued)

37.2 Fair value measurement

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. Investments at fair value though profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in Note 19 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 37.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values.

The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (refer 37.4).

37.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level within which the 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 statement of consolidated financial position are grouped into the fair value hierarchy as follows;

At 31 December 2014

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	-	30,559	30,559
Other managed funds	c	-	10,528	77,423	87,951
-Unquoted equity participations	d	-	-	147,461	147,461
-Quoted shares	a	356,780	-	-	356,780
Investment at fair value through profit or loss					
-Quoted shares	a	32,969	-	-	32,969
-Local funds	b	-	7,936	-	7,936
-International managed portfolios and funds	e	-	-	18,801	18,801
Total assets		389,749	18,464	274,244	682,457

Notes to the consolidated financial statements (continued)

37 Summary of financial assets and liabilities by category (continued)

37.3 Fair value hierarchy (continued)

At 31 December 2013

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	c	-	-	54,610	54,610
Other managed funds	c	-	8,942	82,355	91,297
-Unquoted equity participations	d	-	-	126,496	126,496
-Quoted shares	a	416,293	-	-	416,293
Investment at fair value through profit or loss					
-Quoted shares	a	37,837	-	-	37,837
- Quoted debt instruments	a	276	-	-	276
-Local funds	b	-	11,030	-	11,030
-International managed portfolios and funds	e	-	-	16,056	16,056
Total assets		454,406	19,972	279,517	753,895

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

Measurement at fair value

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 methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period, are as follows:

Financial instruments in level 1

a) Quoted shares & debt instruments (level 1)

Quoted shares and debt instruments represent all listed equity securities and debt instruments which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

Financial instruments in level 2 & 3

b) Local funds (level 2)

The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

c) Foreign funds (level 2)

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

37 Summary of assets and liabilities by category (continued)

37.3 Fair value hierarchy (continued)

Other managed portfolios (level 3)
The underlying investments of other managed portfolios represent foreign quoted and unquoted securities managed by specialized portfolio managers. They are valued based on periodic reports received from the portfolio managers.

d) Unquoted equity participations (level 3)
The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

e) International managed portfolios and funds (level 3)
The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on fund managers' report.

Level 3 Fair value measurements
The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2014 KD'000	31 Dec. 2013 KD'000
Opening balance	**279,517**	319,317
Net change in fair value recognised in other comprehensive income	**39,156**	(1,143)
Impairment recognised in profit or loss	**(8,560)**	(8,748)
Net change in fair value recognised in profit or loss	**(1,202)**	2,115
Net disposals during the year	**(34,667)**	(33,529)
Reclassified from carried at cost to fair valued investments	**-**	1,505
Closing balance	**274,244**	279,517

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

31 December 2014

Financial asset	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value measurement to the input
Unquoted Equity participations	DCF Method	Long term growth rate for cash flows for subsequent years	2% - 4.2%	Higher the growth rate, higher the value
		WACC	9.8% - 17%	Higher the WACC, lower the value
		Discount for lack of marketability	15% - 25%	Higher the discount rate, lower the value
Private equity and direct equity funds	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value
Other managed portfolios	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value

Notes to the consolidated financial statements (continued)

37 Summary of assets and liabilities by category (continued)

37.3 Fair value hierarchy (continued)

31 December 2013

Financial asset	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value measurement to the input
Unquoted Equity participations	DCF Method	Long term growth rate for cash flows for subsequent years	3% - 4%	Higher the growth rate, higher the value
		WACC	10.6% - 17%	Higher the WACC, lower the value
		Discount for lack of marketability	10% - 15%	Higher the discount rate, lower the value
Private equity and direct equity funds	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value
Other managed portfolios	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value

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

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

In case of AFS assets, the impairment charge in the profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through OCI) and, would not have an effect on profit or loss.

37.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2013 and 2014

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2014				
Investment property				
- Lands and buildings in Kuwait	-	-	43,926	43,926
- Lands and buildings in Saudi Arabia	-	-	6,163	6,163
- Land in Jordan	-	-	415	415
- Lands in Kuwait	-	-	10,580	10,580
- Lands and buildings in UAE	-	-	341	341
	-	-	61,425	61,425
31 December 2013				
Investment property				
- Lands and buildings in Kuwait	-	-	34,777	34,777
- Lands and buildings in Saudi Arabia	-	-	5,925	5,925
- Land in Jordan	-	-	400	400
- Lands in Kuwait	-	-	8,841	8,841
	-	-	49,943	49,943

Notes to the consolidated financial statements (continued)

37 Summary of assets and liabilities by category (continued)

37.4 Fair value measurement of non-financial assets (continued)

The above buildings represent rental properties on freehold land categorized as "Investment Lands" (i.e land which can be used to construct multiple residential unit buildings, apartments, villas, Duplex and Studios), in Kuwait, Jordan and Saudi Arabia. The freehold land above also represents land categorized as investment lands. The fair value of the investment property has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuers is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the Yield Method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuer who is a local reputable valuer has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location and current use. For the valuation purpose, the Company has selected the lower value of the two valuations (2013: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

31 December 2014

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings in Kuwait and Saudi Arabia (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated marker price for land (per sqm)	KD1,200, to KD8,837	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD38 to KD247	The higher the construction cost per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD2 to KD9	The higher the rent per square meter, the higher the fair value
		Yield rate	3.8% to 7.5%	The higher the yield rate, the higher the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land Kuwait and Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD1,300 to KD8,500	The higher the price per square meter, the higher the fair value

Notes to the consolidated financial statements (continued)

37 Summary of assets and liabilities by category (continued)

37.4 Fair value measurement of non-financial assets (continued)

31 December 2013

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings in Kuwait and Saudi Arabia (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated marker price for land (per sqm)	KD1,074–KD9,472	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD40-KD244	The higher the construction cost per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD3 – KD9	The higher the rent per square meter, the higher the fair value
		Yield rate	4.8% to 7.2%	The higher the yield rate, the higher the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land Kuwait and Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD1,254 to KD6,588	The higher the price per square meter, the higher the fair value

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in note 18.

38 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long term borrowings, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, murabaha and wakala investments, short term deposits and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The board of directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described below.

38.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Notes to the consolidated financial statements (continued)

38 Risk management objectives and policies (continued)

38.1 Market risk (continued)

a) Foreign currency risk (continued)

The Group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar, Saudi Riyal and GBP. The consolidated statement of financial position can be significantly affected by the movement in these currencies. 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. Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the consolidated open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2014 *Equivalent* KD '000	31 Dec. 2013 *Equivalent* KD '000
US Dollars	(46,521)	(91,115)
Saudi Riyals	3,197	15,958
GBP	(14,285)	(14,947)

The parent company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

	Profit increase/ (decrease)	
	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
US Dollars	2,326	4,556
Saudi Riyals	(160)	(798)
GBP	714	747
	2,880	4,505

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and GBP and positive for Saudi Riyals (2013: negative for US Dollars, GBP and positive for Saudi Riyals).

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.

Notes to the consolidated financial statements (continued)

38 Risk management objectives and policies (continued)

38.1 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 on its short term deposits (refer note 31), short and long term borrowings (refer note 30 and 27) and due to banks which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	**31 Dec. 2014 KD '000**	31 Dec. 2013 KD '000
Effect on profit for the year	**(594)**	(1,786)	**1,782**	5,358

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia and USA. Equity investments are classified either as "investments at fair value through profit or loss" or "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 determined by the Group.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the loss for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates a increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Profit for the year		Other comprehensive income	
	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000	**31 Dec. 2014 KD '000**	31 Dec. 2013 KD '000
Investments at fair value through profit or loss	**4,091**	4,914	**-**	-
Available for sale investments	**3,897**	2,568*	**35,678**	40,441
	7,988	7,482	**35,678**	40,441

Notes to the consolidated financial statements (continued)

38 Risk management objectives and policies (continued)

38.1 Market risk (continued)

c) Equity price risk (continued)

* Had equity prices been higher by 10% the impairment loss which was recognised in the consolidated statement of profit or loss would be reduced and consequently the profit for the year 2014 would be higher and the profit for the year 2013 would be higher.

For a 10% decrease in the equity prices there would be an equal and opposite impact on the losses for the years and other comprehensive income and the amounts shown above would be negative.

38.2 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 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.

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

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Available for sale investments	680,271	749,243
Accounts receivable and other assets (refer note 21)	69,898	63,602
Murabaha and wakala investments	598	4,500
Investments at fair value through profit or loss	59,706	65,199
Short term deposits	6,715	2,061
Bank balances	53,354	32,253
	870,542	916,858

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments referred to in note 22, certain available for sale investments and account receivable and other asset referred to in note 19 and 21 respectively. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 38.3.

Notes to the consolidated financial statements (continued)

38 Risk management objectives and policies (continued)

38.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia & Africa KD '000	UK & Europe KD '000	USA KD '000	Total KD '000
At 31 December 2014						
Geographic region:						
Available for sale investments	199,950	270,240	107,192	18,755	84,134	680,271
Accounts receivable and other assets	25,081	3,538	1,404	31,362	8,513	69,898
Investments at fair value through profit or loss	29,843	7,763	2,818	15,543	3,739	59,706
Murabaha and wakala investments	598	-	-	-	-	598
Short-term deposits	6,715	-	-	-	-	6,715
Bank balances and cash	21,177	2,080	1,465	28,023	609	53,354
	283,364	283,621	112,879	93,683	96,995	870,542
At 31 December 2013						
Geographic region:						
Available for sale investments	215,986	327,206	82,486	24,445	99,120	749,243
Accounts receivable and other assets	40,163	7,117	1,594	14,324	404	63,602
Investments at fair value through profit or loss	37,416	9,328	1,903	14,809	1,743	65,199
Murabaha and wakala investment	4,500	-	-	-	-	4,500
Short-term deposits	1,919	-	-	142	-	2,061
Bank balances and cash	22,721	4,145	211	3,702	1,474	32,253
	322,705	347,796	86,194	57,422	102,741	916,858

38.4 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 contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1-5 Years KD '000	Total KD '000
31 December 2014					
Financial liabilities (undiscounted)					
Long-term borrowings	6,659	1,812	5,097	413,448	427,016
Leasing creditors	-	-	236	478	714
Accounts payable and other liabilities	23,143	4,828	21,304	-	49,275
Short-term borrowings	41,804	87,820	219,757	-	349,381
Due to banks	21,674	-	-	-	21,674
	93,280	94,460	246,394	413,926	848,060

Notes to the consolidated financial statements (continued)

38 Risk management objectives and policies (continued)

38.4 Liquidity risk (continued)

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1-5 Years KD '000	Total KD '000
31 December 2013					
Financial liabilities (undiscounted)					
Long-term borrowings	-	3,940	10,931	593,327	608,198
Leasing creditors	-	-	-	172	172
Accounts payable and other liabilities	14,743	15,443	14,135	-	44,321
Short-term borrowings	33,879	63,137	107,410	-	204,426
Due to banks	23,074	-	-	-	23,074
	71,696	82,520	132,476	593,499	880,191

The Group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. The Group's management has successfully renewed all short term facilities which were classified as falling due within one month and one to three months.

39 Staff shares

The parent company has an approved share issuance scheme to its senior management, where the parent company's shares can be issued to staff as bonus shares by utilizing its treasury shares, and the scheme will expire in 2016. However no staff shares were issued during the year 2013 and 2014.

40 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure for the Group consists of the following:

	31 Dec. 2014 KD '000	31 Dec. 2013 KD '000
Long term borrowings (refer note 27)	**370,254**	529,632
Short term borrowings (refer note 30)	**335,453**	200,375
Due to banks	**21,674**	23,074
	727,381	753,081
Less :		
Murabaha and wakala investments	**(598)**	(4,500)
Short - term deposits	**(6,715)**	(2,061)
Bank balances and cash	**(53,354)**	(32,253)
Net debt	**666,714**	714,267
Total equity	**587,102**	563,408

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

Notes to the consolidated financial statements (continued)

40 Capital risk management (continued)

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2014 %	31 Dec. 2013 %
Net debt to equity ratio	114	127

41 Contingent liabilities

At 31 December 2014, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD30,589 thousand (2013: KD24,240 thousand).

42 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2014 amounted to KD6,906 thousand (2013: KD6,804 thousand) of which assets managed on behalf of related parties amounted to KD5,085 thousand (2013: KD4,234 thousand).

43 Capital commitments

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD 24,510 thousand (2013: KD25,438 thousand).

At the reporting date, the Group had commitment to pay lease rentals amounting to KD4,868 thousand (2013: KD5,100 thousand).

44 Comparative information

Certain other comparative figures has been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.