SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH
INDEPENDENT AUDITORS' REPORT

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

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FOR THE YEAR ENDED DECEMBER 31, 2014
WITH
INDEPENDENT AUDITORS' REPORT

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Independent auditors' report

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Sultan Center Food Products Company - K.S.C. (Public)
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sultan Center Food Products Company - K.S.C. (Public) - (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

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 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 Sultan Center Food Products Company - K.S.C. (Public) as at December 31, 2014, and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 25 for the year 2012 and its amendments, Executive regulations, and the parent company's Articles of Association and Articles of Incorporation, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Director's Report is in agreement with the Parent Company's books. According to the information available to us, there were no contraventions during the financial year ended December 31, 2014 of either the Companies Law No. 25 for the year 2012 and its amendments, executive regulations, or the parent company's Articles of Association and Articles of Incorporation which might have materially affected the Group's financial position or results of its operations.

Ali Owaid Rukheyes
Licence No. 72-A
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Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
March 31, 2015

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2014	2013
Current assets:			
Cash on hand and at banks		7,081,888	6,896,370
Accounts receivable and other debit balances	3	16,984,880	13,414,959
Due from related parties	4	1,723,578	1,448,453
Gross amount due from customers for contract work	5	1,887,722	4,351,432
Inventories	6	27,995,738	25,098,214
Total current assets		55,673,806	51,209,428
Non-current assets			
Investments available for sale	7	7,583,206	6,858,430
Investment in associates	8	106,195,682	102,397,362
Investment properties	9	13,845,847	13,895,847
Property, plant and equipment	10	87,463,141	89,925,472
Other assets	11	6,509,588	6,568,598
Goodwill		10,738,591	10,738,591
Total non-current assets		232,336,055	230,384,300
Total assets		288,009,861	281,593,728
LIABILITIES AND EQUITY			
Current liabilities:			
Bank borrowings	12	46,451,442	95,686,808
Accounts payable and other credit balances	13	103,881,055	104,502,073
Due to a related party	4	227,723	297,813
Murabaha payable	14	13,795,500	22,385,000
Gross amount due to customers for contract work	5	38,377	79,943
Total current liabilities		164,394,097	222,951,637
Non-current liabilities:			
Bank borrowings – non current portion	12	59,269,000	11,840,622
Murabaha payable – non current portion	14	17,220,500	1,700,000
Provision for end of service indemnity	15	6,269,467	5,611,581
Total non-current liabilities		82,758,967	19,152,203
Total liabilities		247,153,064	242,103,840
Equity:			
Capital	16	57,882,877	57,882,877
Treasury shares	17	(2,593,571)	(2,593,571)
Revaluation surplus		1,072,655	1,072,655
Effect of change in other comprehensive loss of associates		(3,113,718)	(3,950,083)
Cumulative changes in fair value		162,253	162,253
Foreign currency translation adjustments		(1,828,464)	(1,350,766)
Accumulated losses		(11,345,475)	(12,271,532)
Total equity attributable to Parent Company's shareholders		40,236,557	38,951,833
Non-controlling interests		620,240	538,055
Total equity		40,856,797	39,489,888
Total liabilities and equity		288,009,861	281,593,728

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

Jamil Sultan Al-Essa
Chairman

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Operating income:			
Sales		**253,953,224**	241,236,598
Contract revenue		**4,517,214**	7,385,646
Service contract revenue		**8,585,737**	8,236,525
		267,056,175	256,858,769
Operating cost:			
Cost of sales	20	**207,854,921**	195,978,630
Contract cost	21	**3,103,128**	5,063,680
Service contract cost	22	**7,379,211**	7,627,546
		218,337,260	208,669,856
Gross profit		**48,718,915**	48,188,913
General, administrative and selling expenses	23	**(55,561,576)**	(46,821,286)
Depreciation and amortization	10,11	**(6,782,521)**	(6,896,401)
Other provisions		**(3,563,868)**	(400,000)
Provision for doubtful debts	3	**(651,797)**	(76,803)
Provision for slow moving Inventories	6	**(250,327)**	(75,246)
Provisions no longer required	24	**748,611**	2,824,982
Other operating income		**9,258,471**	7,575,677
(Loss) profit from operations		**(8,084,092)**	4,319,836
Realized gains from sale of investments available for sale		**-**	2,617,120
Group's share of results from associates	8	**4,069,040**	5,262,668
Changes in fair value of investment properties	9	**(50,000)**	29,739
Capital work in progress written off	10	**(869,240)**	(2,459,068)
Gain (loss) on sale of property, plant and equipment	10	**13,849,227**	(146,442)
Impairment loss	25	**(1,286,817)**	(1,196,498)
Finance charges		**(6,502,657)**	(6,278,639)
Profit for the year before National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		**1,125,461**	2,148,716
NLST	28	**(47,650)**	-
Zakat	27	**(11,814)**	-
Board of Directors' remuneration	36	**(60,000)**	-
Net profit for the year		**1,005,997**	2,148,716
Attributable to :			
Parent company's shareholders		**926,057**	2,159,768
Non-controlling interests		**79,940**	(11,052)
Net profit for the year		**1,005,997**	2,148,716
Earnings per share attributable to parent company's shareholders (fils)	29	**1.64**	3.83

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	2014	2013
Net profit for the year		**1,005,997**	2,148,716
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(475,453)**	(35,425)
Changes in fair value of investments available for sale	7	**-**	636
Reversal from changes in fair value due to sale of investments available for sale		**-**	(1,402,339)
Share of changes in other comprehensive income (loss) of associates	8	**836,365**	(2,070,934)
Other comprehensive income (loss) for the year		**360,912**	(3,508,062)
Total comprehensive income (loss) for the year		**1,366,909**	(1,359,346)
Attributable to:			
Parent company's shareholders		**1,284,724**	(1,350,143)
Non-controlling interests		**82,185**	(9,203)
Total comprehensive income (loss) for the year		**1,366,909**	(1,359,346)

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders									
	Capital	Treasury shares	Revaluation surplus	Effect of change in other comprehensive loss of associates	Cumulative changes in fair value	Foreign currency translation adjustments	Accumulated losses	Subtotal	Non-controlling interests	Total equity
Balance as at December 31, 2012	57,882,877	(2,593,571)	1,072,655	(1,879,149)	1,563,956	(1,313,492)	(14,141,772)	40,591,504	257,730	40,849,234
Net movement on non-controlling interest	-	-	-	-	-	-	(289,528)	(289,528)	289,528	-
Total comprehensive (loss) income for the year	-	-	-	(2,070,934)	(1,401,703)	(37,274)	2,159,768	(1,350,143)	(9,203)	(1,359,346)
Balance as at December 31, 2013	57,882,877	(2,593,571)	1,072,655	(3,950,083)	162,253	(1,350,766)	(12,271,532)	38,951,833	538,055	39,489,888
Total comprehensive income (loss) for the year	-	-	-	836,365	-	(477,698)	926,057	1,284,724	82,185	1,366,909
Balance as at December 31, 2014	**57,882,877**	**(2,593,571)**	**1,072,655**	**(3,113,718)**	**162,253**	**(1,828,464)**	**(11,345,475)**	**40,236,557**	**620,240**	**40,856,797**

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

	2014	2013
Cash flows from operating activities:		
Profit for the year before National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration	**1,125,461**	2,148,716
Adjustments:		
Depreciation and amortization	**6,782,521**	6,896,401
Other provisions	**3,563,868**	400,000
Provision for doubtful debts	**651,797**	76,803
Provision for slow moving inventories	**250,327**	75,246
Provision for end of service indemnity	**1,438,456**	1,227,216
Provisions no longer required	**(748,611)**	(2,824,982)
Realized gain on sale of investment available for sale	**-**	(2,617,120)
Group's share of results from the associates	**(4,069,040)**	(5,262,668)
Changes in fair value of investment properties	**50,000**	(29,739)
Capital work in progress written off	**869,240**	2,459,068
(Profit) loss on disposal of property, plant and equipment	**(13,849,227)**	146,442
Impairment loss	**1,286,817**	1,196,498
Finance charges	**6,502,657**	6,278,639
	3,854,266	10,170,520
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**(3,473,107)**	(615,035)
Due from related parties	**(275,125)**	(504,574)
Gross amount due from customers for contract work	**2,463,710**	(2,198,130)
Inventories	**(3,147,851)**	(3,163,745)
Accounts payable	**(5,604,764)**	8,198,318
Other credit balances	**(1,801,961)**	1,513,181
Due to related party	**(70,090)**	(511,963)
Gross amount due to customers for contract work	**(41,566)**	(8,550)
Cash (used in) generated from operations	**(8,096,488)**	12,880,022
Payment for end of service indemnity	**(780,570)**	(1,393,087)
Net cash (used in) generated from operating activities	**(8,877,058)**	11,486,935
Cash flows from investing activities:		
Paid for purchase of property, plant and equipment	**(4,113,583)**	(5,306,845)
Proceeds from sale of property, plant and equipment	**15,401,080**	-
Paid for purchase of other assets	**-**	(20,026)
Paid for purchase of investments available for sale	**(846,276)**	-
Proceeds from sale of investments available for sale	**-**	7,393,147
Net cash generated from investing activities	**10,441,221**	2,066,276
Cash flows from financing activities:		
Net movement in bank borrowings	**(1,806,988)**	(7,596,902)
Net movement in murabaha payable	**6,931,000**	1,450,000
Finance charges paid	**(6,502,657)**	(6,278,639)
Net cash used in financing activities	**(1,378,645)**	(12,425,541)
Net increase in cash on hand and at banks	**185,518**	1,127,670
Cash on hand and at banks at the beginning of the year	**6,896,370**	5,768,700
Cash on hand and at banks at the end of the year	**7,081,888**	6,896,370

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements

1. Incorporation and activities

Sultan Center Food Products Company - K.S.C. (Public) "The Parent Company" is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1450 / W Vol 4 dated September 22, 1980 and registered in the Commercial register under Ref. No. 30225 dated April 1, 1993. The Parent Company is also listed on the Kuwait Stock Exchange.

The Parent Company's principal activities consist of the following:

- Construction of central markets and associated rest areas and restaurants.
- Import, export and marketing of consumer goods.
- Manufacturing of food products.
- Investment in trade marks.
- The operation of retail supermarkets, restaurants, catering services, trading and the installation of telecommunication equipment.
- Trade in readymade garments and shoes, suits, accessories and gifts.
- To carry out the following in Kuwait or abroad:
    - Investment in various industries through incorporation of companies or investing in existing companies, and dealing in securities of local and foreign companies
    - Providing consulting and training services
    - Managing the financial administrative and operational segments of companies
    - Investing in real estate
- Investing the Group's excess funds in portfolios managed by specialized financial institutions.

The registered address of the Parent company is P.O. Box 26567 Safat, 13126 – State of Kuwait.

At December 31, 2014, the Group had 9,885 employees (December 31, 2013 – 10,130 employees).

The Companies Law was issued on November 26, 2012 by the Decree No. 25 of 2012 (the "Companies Law"), and had cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by the Law No. 97 of 2013. The Executive Charter of the new amended law was issued on September 29, 2013 and was published in the Official Gazette on October 6, 2013. As stated in article No. (3) of the Executive Charter, all companies have a grace period of one year from the Executive Charter's publication date to comply with the new amended law requirements.

The consolidated financial statements were authorized for issue by the Board of Directors on March 31, 2015. The financial statements are subject to the approval of the Ordinary Shareholders' Annual General Assembly. The Ordinary Shareholders' Annual General Assembly has the final authority to approve these consolidated financial statements and has the power to amend these consolidated financial statements after issuance.

2. Significant Accounting Policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

a) **Basis of Preparation**

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for available for sale investments and investment prosperities that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is 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.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(w).

Standards and Interpretations issued and effective

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2014.

Amendments to IAS 32 - Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement"

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. These new disclosures include fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures required by IFRS 13 Fair Value Measurements.

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

Standards and Interpretations issued but not effective

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not yet been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2017, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments, effective prospectively for annual periods beginning on or after January 1, 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

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

b) Principles of consolidation

The consolidated financial statements include the financial statements of Sultan Center Food Products Company - K.S.C. (Public) "The Parent Company" and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal Activity	Percentage of holding % 2014	Percentage of holding % 2013
Brothers Holding Company – K.S.C. (Holding) and its subsidiaries	Kuwait	Holding	99	99
Sultan Center Trading and General Contracting Company – W.L.L. - and its subsidiaries	Kuwait	Hypermarkets	99	99
United Capital Group – K.S.C. (Closed) - and its subsidiaries	Kuwait	Investing	99	99
Gulf United Real Estate and Tourism Investment Company – K.S.C. (Closed) - and its subsidiaries	Kuwait	Investment property	99	99
National Energy Company - K.S.C. (Closed)	Kuwait	Constructions	99	99
Dalya Al-Wataniyah General Trading & Contracting Company – W.L.L.	Kuwait	General trading & construction	99	99
Style Kuwait International Readymade Garments B & S Company – L.L.C.	U.A.E	General trading & construction	99	99
Retail Detail General Trading & Contracting Company - W.L.L.	Kuwait	General trading & construction	99	99
Al-Mataba Al-Khalijia General Trading & Contracting Company – W.L.L.	Kuwait	General trading & construction	99	99
Al-Noukhaza National General Trading & Contracting Company – W.L.L.	Kuwait	General trading & construction	99	99
TS Kuwait General Trading & Contracting Company – W.L.L.	Kuwait	General trading & construction	99	99
American Economics General Trading & Contracting Company – W.L.L.	Kuwait	General trading & construction	99	99
Al-Thanaa Industrial Company – W.L.L.	Jordan	General trading & construction	99	99
TSC Discount General Trading & Contracting Company – W.L.L.	Kuwait	General trading & construction	99	99
C - Store General Trading & Contracting Company – W.L.L.	Kuwait	General trading & construction	99	99
Specialty Fashion Group – E.S.C. – Egypt	Egypt	General trading & construction	99	99

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company
- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee.
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements.
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities carried on the consolidated Statement of Financial Position include cash on hand and at banks, receivables, due from related parties, investments available for sale, bank borrowings, accounts payable, due to a related party and murabaha payable.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

1. Accounts receivable
   Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

2. Investments
   The Group classifies its investments as investments available-for-sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

   Investments available for sale
   Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

   Purchases and sales of investments are recognized on settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

   Subsequent measurement
   After initial recognition, investments at fair value through profit or loss and investments available for sale are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

   Realized and unrealized gains and losses from investments at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in consolidated other comprehensive income.

   Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

   When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

An investment (in whole or in part) is derecognised either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

Impairment

The Group assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

3. Accounts payable

Accounts payables include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not , they are presented as non - current liabilities.

4. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

5. Murabaha payable

Murabaha payable represents an agreement whereby the Group takes certain amount from another party, and use it according to specific conditions in return for certain fee (percentage of the amount used). Costs of Murabaha payable is accounted on a time proportion basis.

d) Gross amount due from (to) customers for contract work

Gross amount due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities.

e) Inventories

Inventories are valued at the lower of average cost or net realizable value after providing allowance for any obsolete or slow moving items. Cost comprises direct materials, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in first-out or weighted average method for inventories at the warehouses based on the nature of the inventory. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

f) Associates

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize 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 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 recognizes the amount in the consolidated statement of profit or loss.

g) Investment properties

Investment properties comprise completed property, property under construction or re-development held to eam rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model.

Investment properties are derecognized 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. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. 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.

h) Property, plant and equipment
The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period.

Properties in the course of construction for production, supply or administrative purposes are carries at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified in the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	years
Buildings	40
Office equipment and computer	3 – 5
Furniture and fixtures	5
Vehicles	2 – 3
Plant and machinery	15

Certain property, plant and equipment used in certain projects are depreciated over the period of the respective contracts.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

i) Other assets
This item represents keymoney resulting from exploitation of locations is carried at cost less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method to allocate the cost of key money over their estimated useful lives ranging from 3 to 20 years.

j) Business combination and goodwill

1- Business combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39: Financial Instruments: Recognition and Measurement. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting in incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2- Goodwill
Goodwill represents the excess of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(f).

k) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the obligation.

m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

n) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method.

Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized 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, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

Rendering of services

Revenue from service contracts is recognized when the service is rendered.

Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

Dividend income
Dividend income is recognized when the right to receive payment is established.

Rent
Rental income is recognized, when earned, on a time apportionment basis.

Gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Other income and expenses
Other income and expenses are recognized on accrual basis.

p) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

Operating Lease:
The Group as lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee
Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

q) Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

r) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.
All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

s) Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

t) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

u) Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

v) Cash and non-cash dividend distribution to shareholders of the parent company

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

w) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

1- Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iv) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

(v) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(vi) Classification of Land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

(1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

(2) Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

(3) Properties held for trading
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

(4) Investment properties
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(vii) Application of IFRIC 15 – Agreements for the construction of real estate.

The determination whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue require significant judgment.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Fair value of unquoted equity investments
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Impairment of Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Long term contracts
Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts and inventory
The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(v) Valuation of investment properties
The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

(a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(vi) Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Accounts receivable and other debit balances

	2014	2013
Trade receivables (**a**)	**6,440,737**	4,328,856
Contract receivables (**a**)	**6,769,987**	4,016,357
	13,210,724	8,345,213
Less: Provision for doubtful debts (**b**)	**(3,061,164)**	(3,151,471)
	10,149,560	5,193,742
Advance payments to suppliers and contractors and refundable deposits	**3,478,141**	4,716,170
Claim receivables	**-**	372,973
Staff receivables	**836,157**	578,756
Other receivables	**2,521,022**	2,553,318
	16,984,880	13,414,959

(a) **Trade receivables, contract receivables**
Trade receivables, contract receivables are non-interest bearing. The ageing of trade receivables, contract receivables is as follows:

	Less than 180 days	181 – 365 days	Impaired	Total
2014	**7,524,258**	**2,625,302**	**3,061,164**	**13,210,724**
2013	4,250,560	943,182	3,151,471	8,345,213

As at December 31, 2014 trade receivables, contract receivables and retentions amounting to KD 2,625,302 (2013 – 943,182) were past due but not impaired. These balances are related to independent customers for whom there is no history of default.

(b) **Provision for doubtful debts**
The movement in the provision for doubtful debts is as follows:

	2014	2013
Balance at the beginning of the year	**3,151,471**	4,375,662
Provision for the year	**651,797**	76,803
Provision no longer required (Note 24)	**(748,611)**	(1,118,910)
Utilized during the year	**(18,161)**	(182,084)
Foreign currency translation adjustments	**24,668**	-
Balance at the end of the year	**3,061,164**	3,151,471

(c) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group does not hold any collateral as security, for accounts receivable and other debit balances.

4. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, key management personnel, associate and Companies under common control and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management.

Significant related party balances and transactions are as follows:

	Major Shareholders	Associates	Companies under common control	2014	2013
Balances included in consolidated statement of financial position:					
Due from related parties	307,578	1,416,000	-	**1,723,578**	1,448,453
Due to a related party	-	-	227,723	**227,723**	297,813
Transaction included in consolidated statement of profit or loss:					
Rent	-	-	(1,507,260)	**(1,507,260)**	(1,480,552)
Other transactions with related parties					
Purchase of investment available for sale (Note 7)	-	-	-	-	982,000

Compensation to key management personnel:

	2014	2013
Salaries and other short-term benefits	**1,510,974**	1,731,408
Termination benefits	**134,866**	126,515
	1,645,840	1,857,923

5. Gross amount due from / to customers for contract work

	2014	2013
Contract costs incurred to date plus recognized profits less recognized losses	**7,017,528**	15,772,988
Progress billings	**(5,168,183)**	(11,501,499)
	1,849,345	4,271,489
Represented by:		
Gross amount due from customers for contract work	**1,887,722**	4,351,432
Gross amount due to customers for contract work	**(38,377)**	(79,943)
	1,849,345	4,271,489

6. Inventories

	2014	2013
Merchandise inventory	**27,965,045**	24,735,083
Other goods	**1,260,956**	1,673,455
	29,226,001	26,408,538
Provision for slow moving inventories (a)	**(1,230,263)**	(1,310,324)
	27,995,738	25,098,214

(a) Provision for slow moving inventories

The movement in the provision for slow moving inventories is as follows:

	2014	2013
Balance at the beginning of the year	**1,310,324**	1,479,674
Provision for the year	**250,327**	75,246
Utilized during the year	**(330,388)**	(244,596)
Balance at the end of the year	**1,230,263**	1,310,324

7. Investments available for sale

	2014	2013
Quoted equity securities	**6,970**	6,970
Unquoted equity securities	**7,576,236**	6,851,460
	7,583,206	6,858,430

The movement during the year is as follows:

	2014	2013
Balance at the beginning of the year	**6,858,430**	12,054,160
Additions	**846,276**	982,000
Disposals	**-**	(6,178,366)
Changes in fair value	**-**	636
Impairment loss	**(121,500)**	-
Balance at the end of the year	**7,583,206**	6,858,430

Investment available for sale with fair value amounting to KD 3,342,121 is registered in the name of a related party and there is waiver letter for it in favor of the group.

Investments available for sale are denominated in the following currencies:

Currency	**2014**	2013
Kuwaiti Dinar	**7,539,592**	6,814,816
US Dollar	**28,798**	28,798
UK Pounds	**14,816**	14,816
	7,583,206	6,858,430

It was not possible to reliably measure the fair value of unquoted investments amounting to KD 7,576,236 (2013 – KD 6,851,460), due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

8. Investment in associates

The investment in associates consists of the following:

Name of the associate	Country of Incorporation	Principal Activity	Ownership Percentage % 2014	Ownership Percentage % 2013	2014	2013
National Real Estate Company - K.S.C.	Kuwait	Real Estate	**30.98**	30.98	**86,377,916**	82,257,918
Jawad International Fashion - B.S.C.	Bahrain	Readymade garments	**30**	30	**4,225,726**	5,234,664
Riviera Holding Company - K.S.C. (Closed)	Kuwait	Real Estate	**40**	40	**1,899,212**	1,899,212
Alpha Energy Company- K.S.C. (Closed)	Kuwait	Oil and Energy	**20**	20	**8,094,606**	7,952,015
Al-Khureif United Holding Co. – K.S.C. (Holding)	Kuwait	Oil services	**24**	24	**5,478,222**	4,933,553
Kuwait Bulgarian Dairy Co. -W.L.L.	Kuwait	Dairy	**40**	40	**120,000**	120,000
					106,195,682	102,397,362

The movement during the year is as follows:

	2014	2013
Balance at the beginning of the year	**102,397,362**	99,188,244
Group's share of results from associates	**4,069,040**	5,262,668
Group's share of other comprehensive income (loss) from associate	**836,365**	(2,070,934)
Foreign currency translation adjustments	**-**	17,384
Impairment loss for the associates	**(1,107,085)**	-
Balance at the end of the year	**106,195,682**	102,397,362

The Group's share of other comprehensive income (loss) from associates is as follows:

	2014	2013
Cumulative changes in fair value	**(93,793)**	(27,200)
Effect of changes in other comprehensive income (loss) of associates	**88,212**	(969,287)
Foreign currency translation adjustments	**841,946**	(1,074,447)
	836,365	(2,070,934)

The market value of the investment in National Real Estate Company K.S.C. (Public) as at the date of consolidated statement of financial position is KD 36,162,028 (2013 – KD 40,257,126).

As of December 31, 2014, certain shares of National Real Estate Company – K.S.C (Public) with a carrying value amounting to KD 35,607,000 are pledged to certain local banks against bank borrowings and Murabaha payable (Note 12 , 14)

The Group has not accounted for its share of results from its associates Riviera Holding Company - K.S.C. (Closed) and Kuwait Bulgarian Diary Co. W.L.L. due to non-availability of their audited financial statements for the year ended December 31, 2014. Management expects that business results are not material.

Group's share of result from Alpha Energy Company K.S.C Company (Closed) was calculated based on financial statements prepared by management as of September 30, 2014, the Group's management is expecting that there will be no material variances between the financial statements as of December 31, 2014, and the financial statements as of September 30, 2014.

Summarized financial information for material associates are as follows:

(a) **National Real Estate Company - K.S.C. (Public)**

Summarized statement of financial position

	2014	2013
Assets	542,942,544	522,031,570
Liabilities	(353,067,753)	(345,455,675)
Net Assets	189,874,791	176,575,895
Group's ownership percentage	30.98%	30.98%
Share of the associates' net assets	58,823,210	54,703,212
Goodwill at acquisition date	27,554,706	27,554,706
Carrying value of National Real Estate Company - K.S.C. (Public)	86,377,916	82,257,918

Summarized Statement of profit or loss

	2014	2013
Revenue	19,431,129	17,679,675
Cost	(13,262,767)	(14,930,264)
Other expenses	(12,529,472)	(7,891,120)
Other income	16,839,869	20,487,866
Net profit	10,478,759	15,346,157
Dividend received	-	-

(b) **Jawad International Fashion - B.S.C.**

Summarized statement of financial position

	2014	2013
Current assets	7,617,723	4,897,621
Non-current assets	4,149,620	3,895,521
Current liabilities	(4,692,486)	(2,490,243)
Non-current liabilities	(219,186)	(185,928)
Net Assets	6,855,671	6,116,971
Group's ownership percentage	30%	30%
Share of the associates' net assets	2,056,701	1,835,091
Goodwill at acquisition date	3,139,028	3,139,028
Impairment loss	(1,107,085)	-
Other adjustments	137,082	260,545
Carrying value of Jawad International Fashion – B.S.C.	4,225,726	5,234,664

Summarized Statement of profit or loss

	2014	2013
Sales	19,252,682	17,212,757
Cost of sales	(10,729,957)	(9,849,653)
Other expenses	(8,204,475)	(7,158,027)
Other income	8,910	7,879
Net profit	327,160	212,956
Dividend received	-	-

(c) Alpha Energy Company- K.S.C. (Closed)

Summarized statement of financial position

	2014	2013
Current assets	**24,252,506**	22,417,937
Non-current assets	**70,447,594**	66,074,251
Current liabilities	**(14,737,595)**	(11,474,103)
Non-current liabilities	**(38,929,285)**	(36,649,791)
Net Assets	**41,033,220**	40,368,294
Group's ownership percentage	**20%**	20%
Share of the associates' net assets	**8,206,644**	8,073,659
Other adjustments	**(112,038)**	(121,644)
Carrying value of Alpha Energy Company - K.S.C. (Closed)	**8,094,606**	7,952,015

Summarized Statement of profit or loss

	2014	2013
Sales	**78,106,833**	97,999,207
Cost of sales	**(73,153,836)**	(91,372,817)
Other expenses	**(5,661,851)**	(8,957,911)
Other income	**1,573,006**	2,476,018
Net profit	**864,152**	144,497
Dividend received	**-**	-

(d) Al-Khureif United Holding Co. – K.S.C. (Holding)

Summarized statement of financial position

	2014	2013
Current assets	**33,162,564**	27,745,779
Non-current assets	**18,583,220**	5,780,213
Current liabilities	**(6,938,087)**	(6,966,961)
Non-current liabilities	**(38,097,772)**	(22,118,559)
Net Assets	**6,709,925**	4,440,472
Group's ownership percentage	**24%**	24%
Share of the associates' net assets	**1,610,382**	1,065,713
Goodwill at acquisition date	**2,366,573**	2,366,573
Undistributed dividend	**1,501,267**	1,501,267
Carrying value of Al-Khureif United Holding Co. - K.S.C. (Holding)	**5,478,222**	4,933,553

Summarized Statement of profit or loss

	2014	2013
Revenue	**18,997,839**	14,805,285
Cost	**(11,641,322)**	(9,789,916)
Other expenses	**(5,080,817)**	(3,309,413)
Other income	**23,221**	25,887
Net profit	**2,298,921**	1,731,843
Dividend received	**-**	-

9. Investment properties

	2014	2013
Balance at the beginning of the year	**13,895,847**	13,859,903
Changes in fair value	**(50,000)**	29,739
Foreign currency translation adjustments	**-**	6,205
Balance at the end of the year	**13,845,847**	13,895,847

Investment properties with fair value amounting to KD 5,129,000 is registered in the name of related party and there is a waiver letter in favor of the group.

Management of the Group has complied with Capital Markets Authority decision dated July 23, 2012 with respect to guidelines for fair value of investment properties.

The fair value of the Group's investment properties for the group as of December 31, 2014 is based on the lowest valuation carried out by two independent valuers. In estimating the fair value of investment properties, the two independent valuers had used market sales method; considering the nature and usage of the investment properties. Following is the description of valuation techniques used and key inputs to valuation:

Class of investment property	Valuation technique	Level 2	Total
Lands	Market sales method	2,426,847	2,426,847
Buildings	Market sales method	11,419,000	11,419,000
Total		**13,845,847**	**13,845,847**

Certain investment properties with a fair value amounting to KD 1,451,000 are pledged against murabaha payable (Note 14).

10. Property, plant and equipment

	Freehold lands	Buildings	Office equipment and computer	Furniture and fixtures	Vehicles	Plant and machinery	Capital work in progress	Total
Cost:								
At December 31, 2013	25,460,876	79,633,219	12,133,190	16,477,378	3,311,217	21,657,926	7,204,961	165,878,767
Additions	239,060	586,911	416,540	607,875	389,704	1,107,295	911,161	4,258,546
Disposals	(1,321,599)	(322,642)	(13,635)	(109,641)	(70,747)	(192,405)	-	(2,030,669)
Transfer	-	1,312,113	163,202	867,501	117,945	262,994	(2,723,755)	-
Capital work in progress written off	-	-	-	-	-	-	(869,240)	(869,240)
Foreign currency translation adjustments	16,956	574,089	90,994	122,922	27,406	153,483	-	985,850
At December 31, 2014	**24,395,293**	**81,783,690**	**12,790,291**	**17,966,035**	**3,775,525**	**22,989,293**	**4,523,127**	**168,223,254**
Accumulated depreciation:								
At December 31, 2013	-	37,020,161	9,047,360	11,955,819	2,683,951	15,246,004	-	75,953,295
Charge for the year	-	2,487,578	742,054	1,109,223	376,042	1,070,380	-	5,785,277
Related to disposals	-	(109,379)	(12,516)	(107,668)	(63,417)	(185,836)	-	(478,816)
Impairment loss	-	42,252	-	8,611	-	7,369	-	58,232
Foreign currency translation adjustments	-	(272,827)	(68,909)	(87,871)	(21,552)	(106,716)	-	(557,875)
At December 31, 2014	**-**	**39,167,785**	**9,707,989**	**12,878,114**	**2,975,024**	**16,031,201**	**-**	**80,760,113**
Net book value:								
At December 31, 2014	**24,395,293**	**42,615,905**	**3,082,302**	**5,087,921**	**800,501**	**6,958,092**	**4,523,127**	**87,463,141**
At December 31, 2013	25,460,876	42,613,058	3,085,830	4,521,559	627,266	6,411,922	7,204,961	89,925,472

On May 11, 2014 one of the Group's subsidiaries sold lands at the managerial and commercial center in Al Jahraa – State of Kuwait with the book value amounting to KD 1,321,599 for a sale price of KD 15,000,000, that resulted in a gain of KD 13,678,401 which was recorded in the consolidated statement of profit or loss, The subsidiary collected the full amount during the year.

Freehold lands and buildings with net book value of KD 15,670,226 is pledged against bank borrowings and murabaha payable granted to the Group (Note 12 , 14).

11. Other assets

	Key money	Total
Cost:		
At December 31, 2013	13,078,477	13,078,477
Foreign currency translation adjustments	624,545	624,545
At December 31, 2014	**13,703,022**	**13,703,022**
Accumulated amortization:		
At December 31, 2013	6,509,879	6,509,879
Amortization for the year	997,244	997,244
Foreign currency translation adjustments	(313,689)	(313,689)
At December 31, 2014	**7,193,434**	**7,193,434**
Net book value:		
At December 31, 2014	**6,509,588**	**6,509,588**
At December 31, 2013	6,568,598	6,568,598

12. Bank borrowings

Bank borrowings are granted by local banks and foreign banks to the parent company and certain subsidiaries. Bank borrowings for certain subsidiaries are secured by corporate guarantee by the Parent Company and the subsidiaries, mortgage of certain shares of associate with a market value of KD 31,647,000, waiver right of the revenues of some branches of a subsidiary and mortgage of freehold lands and building of subsidiaries with net book value of KD 12,328,973 (December 31, 2013 – KD 9,650,235).

During the year ended December 31, 2014 the Group has signed bank facilities and restructured contracts with local banks as follows:

	Due date	2014	2013
Current portion	Installments ending on December 31, 2015	**46,451,442**	95,686,808
Non-current portion	Installments ending on December 31, 2020	**59,269,000**	11,840,622
		105,720,442	107,527,430

The annual interest on the above bank borrowings is as follows:

Description	Currency	2014 %	2013 %
Weighted average annual interest rate over Central Bank of Kuwait discount rate	Kuwaiti Dinar	**1.75 – 2.5**	1.5 – 2.5
Weighted average annual interest rate	Jordanian Dinar	**6.5 – 8.5**	7.5 – 8.75
Weighted average annual interest rate over LIBOR rate	US Dollar	**2.5**	1.5 – 2.5
Weighted average annual interest rate	Omani Riyal	-	5 – 6

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

Currency	2014	2013
Kuwaiti Dinar	**100,228,962**	72,639,787
US Dollar	**952,219**	29,335,835
Jordanian Dinar	**4,539,261**	5,464,808
Omani Riyal	-	87,000
	105,720,442	107,527,430

13. Accounts payable and other credit balances

	2014	2013
Trade payable	**84,606,422**	90,211,186
Retentions payable to contractors	**163,634**	621,437
Leave and other employee accruals	**4,882,110**	4,987,043
Staff compensation accruals	**2,500,000**	-
Payable for purchase of property, plant and equipment	**144,963**	137,169
Provision for legal case	**1,000,000**	1,000,000
Other payables (a)	**10,583,926**	7,545,238
	103,881,055	104,502,073

a) As the Group is currently in the process of restructuring its activities in the Republic of Lebanon, which may cause losses related to impairment of its assets. According to prudence principle, the Group recognized a provision of KD 3,563,868 and was included in other payables.

b) Accounts payable are non-interest bearing.

14. Murabaha payable

During the year ended December 31, 2014 the Group has signed bank facilities and restructured outstanding murabaha with new murabaha payable and hence, murabaha payable has been restructured as follows:

	2014	2013
Total murabaha payable	**31,251,364**	24,225,608
Deduct: Unamortized future finance charge	**(235,364)**	(140,608)
Present value of murabaha payable	**31,016,000**	24,085,000

Analyzed as:

	Due date	**2014**	2013
Current portion	Installments ending on December 31, 2015	**13,795,500**	22,385,000
Non-current portion	Installments ending on April 6, 2020	**17,220,500**	1,700,000
Present value of murabaha payable		**31,016,000**	24,085,000

Murabaha payable carries average finance charges at 2.5% over the Central Bank of Kuwait discount rate and are secured by mortgage of certain shares of associates' shares with market value of KD 3,960,000, mortgage of free hold lands and buildings owned by a subsidiary with a net book value of KD 3,341,253 and mortgage of investment properties owned by a subsidiary amounting to KD 1,451,000.

15. Provision for end of service indemnity

	2014	2013
Balance at the beginning of the year	**5,611,581**	5,777,452
Charge for the year	**1,438,456**	1,227,216
Paid during the year	**(780,570)**	(1,393,087)
Balance at the end of the year	**6,269,467**	5,611,581

16. Capital

Authorized, issued and paid-up capital amounted to KD 57,882,877 consist of 578,828,768 shares of nominal value 100 fils each and all shares are in cash.

17. Treasury shares

	2014	2013
Number of shares	**14,272,535**	14,272,535
Percentage of paid up shares	**2.47%**	2.47%
Market value (KD)	**1,313,073**	1,355,891
Cost (KD)	**2,593,571**	2,593,571

Due to the non availability of credit balances in retained earnings, reserves, share premium as of December 31, 2014, the Company's management has not allotted any amount in relation to treasury shares balance as of the financial reporting date based on Capital Markets Authority resolution dated September 30, 2014.

18. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. Due to accumulated losses, there was no transfer to statutory reserve.

19. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. Due to accumulated losses, there was no transfer to voluntary reserve.

20. Cost of sales

	2014	2013
Beginning inventory	**24,735,083**	22,556,368
Purchases	**211,084,883**	198,157,345
Cost of goods available for sale	**235,819,966**	220,713,713
Ending inventory	**(27,965,045)**	(24,735,083)
	207,854,921	195,978,630

21. Contract cost

	2014	2013
Staff costs	**975,702**	953,427
Other operating costs	**2,127,426**	4,110,253
	3,103,128	5,063,680

22. Service contract cost

This represents the cost of security services which represent transportation of precious materials, security systems and institutions safeguarding and include staff cost amounting to KD 4,042,919 (2013 – KD 4,178,976).

23. General, administrative and selling expenses

General, administrative and selling expenses include staff costs amounting to KD 27,673,078 (2013 – KD 22,463,837).

24. Provisions no longer required

	2014	2013
Provision for doubtful debts no longer required (Note 3)	**748,611**	1,118,910
Provision for legal case no longer required	**-**	1,706,072
	748,611	2,824,982

During the year ended December 31, 2014 the Group has reversed a provision for doubtful debts no longer required amounting to KD 748,611 representing amounts collected from governmental sectors without judicial recourse (December 31, 2013 – 1,118,910)

25. Impairment loss

	2014	2013
Impairment loss for property, plant and equipment (Note 10)	**58,232**	669,199
Impairment loss for other assets	**-**	527,299
Impairment loss for investments available for sale (Note 7)	**121,500**	-
Impairment loss for investments in associates (Note 8)	**1,107,085**	-
	1,286,817	1,196,498

26. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve. There is no contribution to KFAS due to accumulated losses.

27. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration after deducting its share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

28. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration after deducting its share of profit from listed associates & un-consolidated subsidiaries subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

29. Earnings per share attributable to the parent company's shareholders

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on weighted average number of shares outstanding during the year is as follows:

	2014	2013
Net profit for the year attributable to the parent company's shareholders	**926,057**	2,159,768
Number of shares outstanding:	**Shares**	Shares
Number of issued shares at the beginning of the year	**578,828,768**	578,828,768
Less: Weighted average number of treasury shares	**(14,272,535)**	(14,272,535)
Weighted average number of shares outstanding	**564,556,233**	564,556,233
Earnings per share attributable to parent company's shareholders (fils)	**1.64**	3.83

30. Working capital

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might arise due to uncertainty of the Group's ability to continue as a going concern.

As of December 31, 2014, the Group's current liabilities exceeded current assets by KD 108,720,291 (2013 – KD 171,742,209), the Group's accumulated losses amounted to KD 11,345,475 (2013 – KD 12,271,532). In addition, the gearing ratio had reached 76.04% (2013 – 75.95%)

The Group's ability to continue as a going concern depends on its ability to make profits, enhance its future cash flows.

As shown in Notes (10, 12, 14) to consolidated financial statements, the Group succeeded to restructure and renew its credit facilities during the year with its lending financial institutions. It also succeeded with taking active steps to implement an exit plan for certain investments and assets currently reported in the financial statements to overcome this situation, which made a significant improvement for working capital and reduction of accumulated losses during this year compared with prior year.

The Group's management has reasonable expectations that its lending institutions will renew its credit facilities because of the Group's quality of investments and assets. It also expects that its assets exit plan will be concluded successfully as per the current market trend. In addition, management also is of the opinion that the Group's major shareholders will provide the financial support to the Group as and when required.

31. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, due from related parties, investments available for sale, bank borrowings, payables, Murabaha payable and due to related party and as a result, is exposed to the risks indicated below. The group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Interest rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group's profit through the impact on floating rate borrowings.

year	Increase / (Decrease) in interest rate	Bank borrowings as at December 31	Effect on consolidated statement of profit or loss
2014			
Bank Borrowings	**±50 basis points**	**105,359,703**	**±529,799**
Murabaha payable	**±50 basis points**	**31,016,000**	**±155,080**
2013			
Bank Borrowings	±50 basis points	101,975,622	±509,878
Murabaha payable	±50 basis points	24,085,000	±120,425

b) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks and receivables. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables and due from related parties.

c) **Foreign currency risk**

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar.

Year	Increase / (Decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
2014			
Bahraini Dinar	± 5%	**+9,768**	**+137,501**
Omani Riyal	± 5%	**+46,713**	**+326,333**
Emirates Dirham	± 5%	**+2,791**	**+271,532**
Jordanian Dinar	± 5%	**+928**	**+119,339**
Lebanese Lire	± 5%	**+335,217**	**+120,200**
Egyptian Pound	± 5%	**+1**	**+2,406**
2013			
Bahraini Dinar	± 5%	+2,251	+122,469
Omani Riyal	± 5%	+32,813	+267,856
Emirates Dirham	± 5%	+8,956	+262,852
Jordanian Dinar	± 5%	+8,560	+123,312
Lebanese Lire	± 5%	+339,394	+231,035
Egyptian Pound	± 5%	+1	+2,249

d) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in other investments that are readily realizable.

a) Maturity table for financial liabilities:

	2014				
Financial liabilities	**1 month**	**1-3 months**	**3-12 months**	**1-5 Years**	**Total**
Bank Borrowings	-	-	**46,451,442**	**59,269,000**	**105,720,442**
Accounts payable and other credit balances	**37,778,116**	**18,415,976**	**47,686,963**	-	**103,881,055**
Due to related party	-	-	**227,723**	-	**227,723**
Murabaha Payable	-	-	**13,795,500**	**17,220,500**	**31,016,000**
	37,778,116	**18,415,976**	**108,161,628**	**76,489,500**	**240,845,220**

	2013				
Financial liabilities	1 month	1-3 months	3-12 months	1-5 years	Total
Bank Borrowings	-	-	95,686,808	11,840,622	107,527,430
Accounts payable and other credit balances	38,003,960	18,526,070	47,972,043	-	104,502,073
Due to related party	-	-	297,813	-	297,813
Murabaha Payable	-	-	22,385,000	1,700,000	24,085,000
	38,003,960	18,526,070	166,341,664	13,540,622	236,412,316

b) The analysis of the Group's contingent liabilities and commitments by remaining contractual maturities was as follows:

	2014					
Contingent liabilities & commitments	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of guarantee	993,227	3,546,050	4,885,274	4,244,997	-	13,669,548
Letters of credit	380,723	953,765	212,642	-	-	1,547,130
Capital commitments	-	-	238,821	5,113,330	19,424,850	24,777,001
	1,373,950	4,499,815	5,336,737	9,358,327	19,424,850	39,993,679

	2013					
Contingent liabilities & commitments	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of guarantee	408,717	3,832,379	4,475,134	3,851,753	-	12,567,983
Letters of credit	839,674	730,541	305,946	-	-	1,876,161
Capital commitments	-	-	174,255	6,150,678	18,911,100	25,236,033
	1,248,391	4,562,920	4,955,335	10,002,431	18,911,100	39,680,177

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as 'available for sale'.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of investments available for sale, to which the Group had none significant exposure at December 31:

	2014		2013	
Market indices	Change in equity price	Effect on other comprehensive income	Change in equity price	Effect on other comprehensive income
Kuwait Stock Exchange	±5%	±349	±5%	±349

32. Fair value measurement

The Group measures financial assets such as investments available for sale and non financial assets as investments properties at fair value at the end of the reporting period.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2014	
	Level 1	**Total**
Investments available for sale	**6,970**	**6,970**
	6,970	**6,970**

	2013	
	Level 1	Total
Investments available for sale	6,970	6,970
	6,970	6,970

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (7). The management of the Group has assessed that fair value of cash and cash equivalents, receivables, due from related parties, due to related party and payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

33. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash on hand and at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2014	2013
Bank borrowings	**105,720,442**	107,527,430
Murabaha payable	**31,016,000**	24,085,000
Total borrowings	**136,736,442**	131,612,430
Less: Cash on hand and at banks	**(7,081,888)**	(6,896,370)
Net debt	**129,654,554**	124,716,060
Total equity	**40,856,797**	39,489,888
Total capital resources	**170,511,351**	164,205,948
Gearing Ratio	**76.04%**	76.37%

34. Contingent liabilities and legal claims

a- At December 31, 2014, the group is contingently liable in respect of the following:

	2014	2013
Letters of guarantee	13,669,548	12,567,983
Letters of credit	1,547,130	1,876,161
	15,216,678	14,444,144

b- The Group's share of contingent liabilities of the associate are as follows:

Contingently liable in respect of the following:

	2014	2013
Letters of guarantee	2,071,292	2,575,282

c- The group share of major legal claims from associate National Real Estate Company - K.S.C. is as follows:

1- As per the decision No. 507 in 2006 issued by Ministry of Commerce and Industry, management contract of Kuwait Free Trade Zone (KFTZ) in State of Kuwait at Shuwaikh port dated 30 May 1998 between Ministry of Commerce and Industry and the Associate National Real Estate Company - K.S.C. (The Managing Company) was cancelled. Accordingly, the Associate had recognized a provision amounting to KD 13,360,424 as a result of losing its control over assets located in KFTZ. This provision was made on a conservative basis and not as a surrender to the validity of the resolution. The Associate has filed a lawsuit under Ref. 939/ 2006 appealing the decision of the Ministry of Commerce and Industry regarding cancellation of KFTZ management contract. The court of first instance dismissed the case but the Associate challenged the ruling by submitting an appeal before the Court of Appeal under number 2309/2013 - administrative/4, which decided to postpone it for ruling till 29/09/2014 and issued a ruling accepting the appeal in form and subject to cancel the appealed ruling and to cancel the administrative resolution No. 507 of 2006 issued by the Ministry of Commerce and Industry terminating the contract of Free Trade Zone management with all its consequent effects. Ministry of Commerce and Industry again appealed on that ruling in the court of cassation which is still pending.

2- The Associate had filed a legal case No. 277/2005 against Kuwait Ports Authority (KPA) and a transport company claiming for the unpaid rent amount from their utilization of certain plots in Kuwait Free Trade Zone during management by the Associate. The court of appeal in its session dated 24 May 2011 had confirmed the appealed ruling of the court of first instance obliging KPA and the transport company to jointly pay an amount of KD 6,956,416 to the Associate for the areas and periods as mentioned in the court verdict. The Associate had received the amount as stated in the Court ruling on 11 October 2011. KPA and the transport company in appealed against ruling in the Court of Cassation which is still pending. This amount represents the portion of the rental income due from KPA which is recorded in the books of the Associate. The Associate previously recorded full provision for the total amount in its books. Provisions accounted earlier were not reversed for amount collected on conservative basis until a final ruling is to be issued which will not be appealed. Also the Associate has raised a lawsuit against KPA to compensate it for the value of utilizing other sites in Kuwait Free Trade Zone; the court transferred the matter to experts department which is still under consideration till date.

3- The Associate has certain properties constructed on land leased from the Government for 25 years. The Ministry of Finance had issued a resolution to terminate those contracts after the expiry of this period. However, the Associate appealed against this resolution claiming for the renewal of those contracts for another 25 years with the same terms. The Court of Cassation in its session dated 30 June 2009 had decided that the contracts of those properties are expired and the properties are to be handed over to the Ministry of Finance and the Ministry had obtained possession of these properties from the Associate on 24March 2010, which would not have negative financial impact on its financial results as all necessary provisions in that regard are accounted in the records of the Associate. Both the Associate and Ministry of

Finance have raised lawsuits demanding a compensation, in 26 January 2015, the court ruled for one of the properties not to accept the request for compensation and issued a ruling accepting the appeal in form and subject to cancel the appealed ruling that to pay to Ministry of Finance an amount of KD 11,711,060, the Associate appealed on that ruling in the court of cassation which is still pending till date.

In the opinion of external legal counsel of the Associate, there is uncertainty regarding the possible financial impact of those cases and the Associate provided full provision for those properties. Accordingly the Associate's Management decided not to record additional provisions as of the date of the consolidated financial statements.

4- The Associate's books include amounts due from and to the Kuwait Ports Authority (KPA), where the amount due from KPA to the Associate amounted to KD 47,548,065 (2013 - KD 47,548,065), which represents rehabilitation costs for KPA properties in Kuwait Free Trade Zone, in addition to rents due for properties utilized by KPA in Kuwait Free Trade Zone and interest on balance due from KPA, where the Associate has fully provided for this interest, and on the other hand balance due to KPA amounted to KD 6,928,556 (2013 - KD 6,928,556) which represents share of KPA in rental income collected from properties constructed and handed over from to Kuwait Free Trade Zone after deducting share relating to outstanding and unpaid rent of KPA for properties utilized, which will be refunded back to KPA In case of any settlement regarding those outstanding and unpaid rents.

As a result of the resolution issued by the Ministry of Commerce and Industry No. 507 / 2006 relating to the cancellation of the management contract of Kuwait Free Trade Zone with the Associate, the Associate has fully provided for amount due from KPA on a conservative basis and not as surrender to the validity of the cancellation resolution.

5- An arbitration claim amounting to KD 23,396,803 was filed by one of the investors in Kuwait Free Trade Zone (KFTZ) during the Associate's management for alleged damages and loss of profit. The arbitration procedures were stopped due to appeals filed by the Associate about certain documents presented for the case. The Associate has taken the necessary legal actions to prove the counterfeit of those documents as well as the expert report which was issued by an unlicensed expert. The report had concluded that the plaintiff is entitled for a compensation of KD 13,080,130 which was contested by the Associate. The Associate has filed a legal case requesting to cancel the arbitration dispute, and the court of first instance in its session held on 4 November 2012 ruled by denying that legal case. The Associate appealed on 11 March 2013 that ruling in front of court of appeal which accepted the appeal formally and refused it to subject and upheld the appellant. The Associate has appealed this ruling in front of Court of Cassation which denied that appeal and returned the case back to the arbitration for which which is still pending till date.

As per the opinion of the external legal counsel, the Associate's legal position is very sound and defensible and the amount claimed by the plaintiff is unrealistic and has no merit. In addition the plaintiff is not entitled for any compensation based on results of similar previous cases. Accordingly, no provision is needed for this uncertainty as it is more probable than not that the Associate will prevail in this case.

6- Two investors at KFTZ during the time it was managed by the Associate raised a lawsuit against the Associate in the capacity as the manager of KFTZ claiming financial compensation. On 22 January 2013 a first degree court verdict was issued revoke the lawsuit, both defendants appealed the verdict at court of appeal which was filed under Ref. 721,901 / 2012 civil/7. On 19 March 2013 the court of appeal ruled by

denying the appealed verdict and obligated the Associate to pay the appellants the sum of KD 1,270,000 plus judicial expenses and attorneys' fees. The Associate appealed that ruling at Court of Cassation and the case was reserved for announcement of judgment decision on 6 May 2014 where the court ruled to cancel the appellant judgment and dismiss the case. Thus, this lawsuit has ended permanently by issuing that ruling in favor of the Associate. Accordingly, the Associate reversed during the year a provision of KD 1,270,000 in the consolidated statement of income.

7- In addition, there is another significant legal claim related to Agility Public Warehousing Company K.S.C (Public) "Agility", which is the major associate of National Real Estate Company K.S.C (Public). This legal claim concerns the subsistence prime vendor and other contracts for Agility Public Warehousing Company K.S.C (Public), where during the year ended 31 December 2007, Agility was served with an administrative subpoena and, subsequently in March 2008 with a grand jury subpoena, by the US Government in connection with an investigation into certain aspects of the Subsistence Prime Vendor ("SPV") Contract which expired in December 2010. In addition, some employees of Agility were served with civil investigative demands. Agility cooperated with this investigation and produced numerous records in response to this request.

In November 2009, Agility was indicted by a federal grand jury in United States on multiple counts of False Claims Act violations. Furthermore, The United States Department of Justice also joined the civil qui tam lawsuit against Agility under the US False Claims Act. The Department of Justice is claiming substantial damages for alleged violations in both the criminal and civil proceedings. Agility pled not guilty to the indictment. Between February and November 2012, both the parties filed various motions and opposition briefs which are pending before the court for ruling. Agility's filings included motions to dismiss the indictment on various grounds and a motion to transfer venue to another judicial district.

As a result of this indictment, Some of the subsidiaries of Agility Group (including Agility Public Warehousing Company) are suspended from bidding for new contracts with the US Government pending the outcome of the cases. However, the suspension did not affect continued performance of the existing contracts.

The US Government also attempted to serve on Agility, the indictment and other legal documents through the authorities in Kuwait. Agility, challenged the service process and obtained an appeal judgement whereby such process was declared null and void. In addition the Court of Appeal in Kuwait precluded the US Government from serving Agility and its subsidiaries any legal document in respect of the ongoing litigation in the US. The above ruling will not have any impact on the financial situation of Agility's Group.

In addition, the US Department of Justice is currently conducting an informal investigation regarding two cost reimbursable US Government contracts in order to ascertain whether reimbursement requests for certain costs incurred by Agility were proper. Furthermore, in relation to one of such contracts, Agility is appealing before the "Armed Services Board of Contracts, Appeals (ASBCA)" a decision made by the contracting officer demanding repayment of approximately KD 23 million from Agility.

During 2011, the US Government collected KD 4.7 million out of the above claim by offsetting payments due on Agility Group's other US Government contracts. On 19 April 2011, Agility also filed an affirmative claim for approximately KD 13 million owed by the US Government under the contract which was denied by the Contracting Officer on 15 December 2011. Agility filed an appeal before the ASBCA. On 26 August 2013, the US Government moved to dismiss the appeal which was granted by the ASBCA on 10 December 2014. Agility intends to appeal the dismissal to the Court of Appeals for the Federal Circuit.

Despite inherent uncertainty surrounding these cases, no provision is recorded by Agility's management in its consolidated financial statements, which is concurrently reflected in the Associate's books "National Real Estate Company K.S.C. (Public)". In addition Agility (and after consulting the external legal counsel) is not able to comment on the likely outcome of those cases.

In addition to the above there are other lawsuits raised by / against the Group in the ordinary course of business, and in the opinion of the Parent Company's external Legal counsel there will be no adverse material impact on the Group consolidated financial statements.

35. Capital commitments

One of the subsidiaries has entered into a 25 year agreement for the lease of land and another subsidiary has entered into a 22 year agreement for the lease of another land, also, another subsidiary entered into operating lease agreement ranging from 2 – 15 years. Under the lease agreements, the subsidiaries are committed to pay annual lease rentals as follows:

	2014	2013
Less than 1 year	**238,821**	174,255
From 1 to 5 years	**5,113,330**	6,150,678
More than 5 years	**19,424,850**	18,911,100
	24,777,001	25,236,033

The Group's share of capital commitments of the associate are as follows:

a) Capital commitments amounting to KD 17,957,911 (2013 - KD 9,983,609).
b) Commitments under a major non-cancelable operating lease, primarily for land leased from the Government of Kuwait for the Water Front Project for the associate as follows:

Year	Amount
2015 – 2019	**141,000**
	141,000

For the operating lease commitments, the associate company is required to give a bank guarantee to Ministry of finance of 0.5% of the total value of the capital project concerned for the purpose of maintenance services.

36. General Assembly

The Shareholders' Annual General Assembly held on March 31, 2015 recommended not to distribute cash nor bonus shares for the year ended December 31, 2014. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on June 12, 2014 approved not to distribute cash nor bonus shares for the year ended December 31, 2013.

The Board of directors suggested to distribute board of directors remuneration amounting to KD 60,000 for the year ended December 31, 2014. This remuneration is subject to the approval of the Ordinary Shareholders' Annual General Assembly. The Board of directors remuneration for the year 2013 amounting to KD 60,000 had been approved by the Shareholder's Annual General meeting for the shareholders dated on June 12 , 2014.

37. Segment information

For management purposes, the group has the following strategic divisions as reportable operating segments, which are summarized as follows:

Reportable operating segment	Description
Retail	Food products hypermarkets.
Investments	Investing in securities, associates and joint operations.
Contracting	Construction
Real Estate	Management, development, and trading in real estate.

Information related to each reportable geographic segment is set out below:

	2014				
	Retail	**Investment**	**Contracting**	**Real Estate**	**Total**
Total revenue	**252,391,077**	**58,156**	**13,159,754**	**1,447,188**	**267,056,175**
Gross profit	**45,166,811**	**33,257**	**2,071,659**	**1,447,188**	**48,718,915**
Depreciation and amortization	**(5,745,803)**	**39**	**(249,945)**	**(786,812)**	**(6,782,521)**
Finance charges	**(2,639,068)**	**(3,448,055)**	**(48,660)**	**(366,874)**	**(6,502,657)**
Net (loss) profit for the year	**(12,600,735)**	**319,139**	**784,823**	**12,502,770**	**1,005,997**
Total assets	**125,390,208**	**115,619,984**	**12,202,548**	**34,797,121**	**288,009,861**
Total liabilities	**239,089,409**	**42,121**	**5,027,024**	**2,994,510**	**247,153,064**

	2013				
	Retail	Investment	Contracting	Real Estate	Total
Total revenue	240,484,592	67,114	14,802,633	1,504,430	256,858,769
Gross profit	45,028,519	7,812	1,648,152	1,504,430	48,188,913
Depreciation and amortization	(5,955,416)	(155)	(165,364)	(775,466)	(6,896,401)
Finance charges	(1,952,395)	(3,635,379)	(113,273)	(577,592)	(6,278,639)
Net (loss) profit for the year	(3,315,692)	4,066,221	1,643,880	(245,693)	2,148,716
Total assets	122,774,883	110,870,513	11,759,169	36,189,163	281,593,728
Total liabilities	207,577,477	9,413,137	9,197,852	15,915,374	242,103,840

38. Comparative figures

Certain comparative amounts for the previous year were reclassified to conform with the current year presentation, which has no impact on total equity and the Group's net profit.