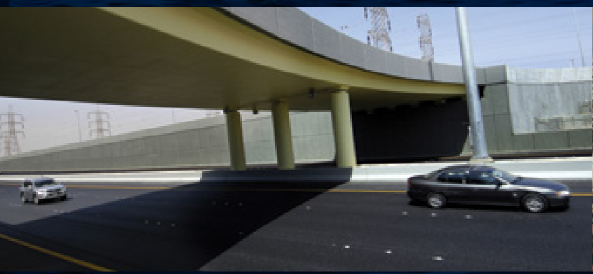
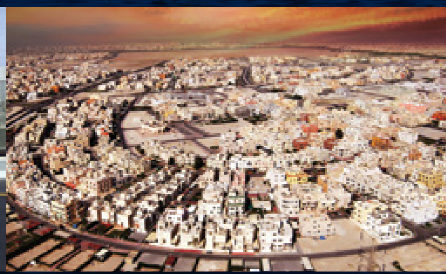




MUSHRIF
TRADING & CONTRACTING CO.
(KSC) Public

مشرف
للتجارة والمقاولات
(ش م ك) عامة

ANNUAL REPORT 2014

دولة الكويت

H.H. SHEIKH SABAH AL-AHMAD AL-JABER AL-SABAH

AMIR STATE OF KUWAIT

H.H. SHEIKH NAWAF AL-AHMAD AL-JABER AL-SABAH

CROWN PRINCE OF KUWAIT

H.H. SHEIKH JABER AL-MUBARAK AL-AHMAD AL-SABAH

PRINCE MINISTER OF KUWAIT

Contents

Board of Directors

Faisal Juma K. Belhoul	Chairman
Khaldoun Haj Hasan	Vice-Chairman
Mohamed A.M.N .Alqahtany	Member
Karim Mohamed Ali Ziwar	Member
Mohamed Abdulla Alqubaisi	Member
Kareem Z. A. Murad	Member
Abhishek Ashok Sharma	Member

The Executive Management

Mohsen Dehghani	Chief Executive Officer
Manish Dangi	Chief Financial Officer
R. Sasi Nair	Director Operations
Mohammed M. Al Jasser	Director Client Affairs
Ali Achour	Projects Director

Postal Address

PO Box 32514, Rumaithiya, 25556, Kuwait

Bankers

Gulf Bank, Kuwait
Burgan Bank, Kuwait
Al Ahli Bank, Kuwait
Bank Muscat, Kuwait
HSBC Middle East, Kuwait
BNP Paribas, Kuwait
Union National Bank, Kuwait
Kuwait Finance House, Kuwait
Bank of Bahrain and kuwait, Kuwait

Auditors

Ernst & Young - Kuwait
Al Aiban, Al-Osaimi & Partners
Baker Tilly - Kuwait
Dr. Saud Al-Humaidi & Partners

Board of Directors' Report

It gives me great pleasure to present to you, on behalf of the Board of Directors of Mushrif Trading and Contracting Co. KSCP (MTCC), the key highlights of the past year and annual report for the year ending December 31, 2014.

Overview

The year 2014 was a good year for us. We have managed to focus our efforts and capitalize on our core competencies. MTCC has successfully delivered on its promise of sustainable growth in spite of tough global environment and regional challenge.

Key Highlights

- For the year ended December 31, 2014, MTCC achieved a consolidated turnover of KD 35.4 Mln and a gross profit of KD 2.5 Mln.
- Net profit of the company stood at a loss of KD 2.9 Mln due to a one-off provision of KD 3.9 Mln related to an arbitration.
- MTCC won arbitration against Marubeni and got an award of KD 11.6 Mln KD. MTCC increased its paid up capital by KD 10.7 Mln, increasing its total paid up capital to KD 30.7 Mln.
- MTCC was awarded 5 projects with an aggregate value of KD 22.63 Mln.

Strategy

MTCC is focused on securing projects in Kuwait within its core competency of infrastructure and heavy civil works. In addition, MTCC is concentrating on increasing its business in the oil & gas sector in Kuwait.

As part of its mid- to long-term vision, MTCC will continue eyeing lucrative opportunities in other sectors and across other regions.

Going Forward

We are optimistic going forward. We believe the company is well positioned to leverage growth opportunities within various sectors of the construction industry and in different regions.

During 2014, MTCC was the lowest bidder and has signed following projects:

1. Contract for the "Design, Construction and Maintenance of Temporary Elevated U-Turns along Nawaseeb Road (Road #40, Group B Only)" issued by the Ministry of Public Works Kuwait valued at KD 5,818,218/333.

2. Contract for the “Management, Operation and Maintenance of Jahra Main Pumping Station and Sewer Lines” issued by the Ministry of Public Works Kuwait valued at KD 2,590,000/-

3. Contract for the “Management, Operation & Maintenance of Kubd Waste Water Treatment Plant” issued by the Ministry of Public Works Kuwait valued at KD 1,398,236/-

4. Contract the “Area 1 Main Civil Works at MAB Refinery” issued by Kuwait National Petroleum Company K.S.C valued at KD 3,797,919/-

5. Contract for the “New Flow lines for 5 existing injection wells, 1 new source well & replacement of 19 existing brackish water flow lines - WK plus emergency brackish water line to NTF” issued by Kuwait Oil Company valued at KD 8,997,000/-

With these current projects in hand and upcoming jobs in the pipeline, we believe that we are in a position to achieve our growth and earnings target for 2015, as well as deliver on significant growth in backlog addition and thus revenue.

Employees

I take this opportunity on behalf of the Board of Directors of MTCC, to extend our warm thanks and gratitude to all the employees for their dedication and hard work.

Along with the entire board, we would like to thank our partners and customers for their continuous support. Furthermore, we extend our appreciation to all shareholders for their faith in MTCC.

Khaldoun Haj Hasan
Vice Chairman

OUR BUSSINESS

COMPANY OVERVIEW

Mushrif Trading & Contracting Company KSCP (MTCC) was established in 1968 in Kuwait and has since become one of the leading and fastest growing civil construction companies in the Gulf region.

With more than 47 years of experience as a heavy civil works and infrastructure contractor, Mushrif has an unparalleled track record of exceptional design and build capabilities in major pipeline projects, heavy civil works, road works, waste water treatment plants, deep foundation works; as well as buildings and specialised construction services. Its track record of quality, safety and reliability has made it a contractor of choice for major developers, government ministries and private clients across the region.

In all its projects, MTCC aspires for the highest standards of quality and adopts best practices that enabled the company to achieve ISO 9001 certification. The Central Tenders Committee (CTC), Kuwait as well as major public and private authorities in the country have accorded the company high classifications for roads, sewage and building works. In addition, MTCC has specialised classifications for works in the UAE which allows it to undertake a wide variety of civil construction projects.

The Company conducts its business through three main business units based in Kuwait, UAE and Qatar.

In Kuwait, we have undertaken various projects for major clients, including the Ministry of Public Works (MPW), the Public Authority for Housing Welfare (PAHW), Kuwait Oil Company (KOC), the Public Authority for Industry (PAI), Joint Operations (JO), Wafra, among others.

Currently, we have three subsidiaries in Kuwait, namely Foundmar for Foundation, Marine Work and Contracting Company WLL, which undertakes deep foundation, dewatering, marine and dredging constructions; CRT General Trading and Contracting WLL, which looks after the ready-mix concrete, asphalt and steel rebar (cut & bend); and OilTech General Trading and Contracting WLL, which undertakes general trading and construction activities in the Oil & Gas sector.

In the UAE, we have two subsidiaries, namely Cercon Civil Construction LLC, a specialised construction company which holds major licences and classifications; and Al Hamed General Transport LLC, a specialised transport company with a large fleet of equipment. Abu Dhabi National Oil Company (ADNOC) is one of our major clients in the Emirates.

In Qatar, Mushrif is registered as a branch of Mushrif Trading & Contracting Company KSCP.

The Company owns and operates a modern fleet of construction plant and equipment, and employs over 3,000 dedicated and highly qualified employees with proven and successful track records in the Middle East, Europe, Asia and Africa.

PROJECT MANAGEMENT

Our project management approach begins with strong client communication and coordination, as well as with strict adherence to technical and operational controls. These include established procedures for site safety, quality control and stringent compliance with specifications.

MTCC has also established operational control procedures relating to cost and scheduling, centralised procurement system, subcontract management, problem resolution and risk management. Through our extensive inventory of construction equipment, we can fulfil the logistical needs of even the most complex construction projects. A rigid maintenance and inventory control programme manages equipment deployment and utilisation to ensure responsive mobilisation and dependable service.

The company implemented SAP ERP in the organisation in order to have integration across all business units, divisions, projects and departments. Effective real time monitoring of data and project controls drive the organisation's growth as per long term business plan.

OUR MISSION

We resolve to set a standard of excellence as one of the regional market leaders in the construction industry. We aim to deliver exceptional services and standards that exceed client expectations and to conduct all our business activities with utmost integrity and fairness.

We believe in the value and potential of each and every one of our employees and strive to create a healthy and safe environment that encourages teamwork, personal growth and dedication.

We are committed to the constant improvement of our business processes and to maintain healthy growth driven by many years of experience, sound practical management, ethical conduct and commitment to the highest standards of quality in construction.

OUR BUSSINESS

OUR COMMITMENT TO QUALITY

Quality assurance and quality control cover all our trading and contracting activities from conception, development and production to installation, servicing and documentation. Our commitment to quality includes the stringent regulation of raw materials, assemblies, products and components; services related to production; as well as management, production, and inspection processes.

In all that we do, we apply established global standards for quality assurance and quality control. This is one of the reasons why we are one of a few construction firms in the region that was awarded the ISO 9001 certification - the highest accolade in our field of expertise - by BSI Management Systems, one of the world's leading certification bodies. This recognition confirms Mushrif's status as a regional powerhouse recognised globally for its standards of excellence.

INFORMATION TECHNOLOGY

MTCC's Information Technology department offers a wide spectrum of services covering IT infrastructure, design, implementation and Remote Infrastructure Management for all our projects.

Our portfolio of services includes but are not limited to:

- Virtualised Environment for Server & Storage Services
- Network/Security Services
- Application Services
- Desktop Services
- Helpdesk Services
- SAP

We provide intelligent, innovative and pro-active IT solutions that meet our day-to-day technology needs and prevent unplanned downtime. These services are carried out from our Data Centre facility in Kuwait which is backed up by a remote Disaster Recovery site, ensuring minimum disruption of services and optimum knowledge transfer.

SAP complements our dynamic business requirements and IT capabilities with skills and features that support all business functions across the company such as finance, procurement, commercial, plant maintenance, quality management, and more.

In the recent past, we fine-tuned our SAP/business processes by fixing all gaps and prepared ourselves for phase II which will mainly comprise of the following:

- Human Capital Management (HCM)
- Production Planning and
- Equip Tools management

HUMAN RESOURCE MANAGEMENT (HRM)

HRM's focus has been on talent acquisition, talent transformation and talent retention. As part of retention strategy, an incentive scheme is currently being implemented. Recognising productivity as a key driver to personal and professional growth, HRM facilitates the target-setting process to improve employee performance for a transparent and productive PMS framework.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

At Mushrif, we are constantly working towards the improvement and strengthening of our safety management systems. Overall implementation of safety processes includes the participation, involvement and commitment of all stakeholders.

Our HSE Policy includes the establishment and operation of health management systems, application and improvement of health indicators, and creation of a pleasant working environment all of which need the voluntary participation of our employees.

As the external environment is increasingly being globalised, and customer health and safety requirements are also increasing and emerging as a social issue, Mushrif has developed diverse training programmes to reinforce competency and secure competitiveness. We are strengthening the Health & Safety mind-set of all employees by providing them with continuous HSE workshops. In particular, we reinforced the health and safety leadership programme for key positions, such as the frontline managers, so that they will demonstrate Health & Safety leadership at all times in their work.

All employees at Mushrif are continuously working towards realising the best health and safety practices through the following guideline:

- I would achieve the goal by educating myself on domestic and foreign HSE requirements
- I would focus on gaining expertise and getting experience by aiming to achieve the highest HSE value.
- I would observe HSE processes and policies outside the company and work towards minimising HSE risk.

Risk Management

Risk management forms an integral part of the business processes and the Company has a framework for assessment and mitigation that is embedded in its decision-making processes. These are periodically reviewed throughout the life-cycle of the projects for their effectiveness.

FIELDS OF ACTIVITY

HEAVY CIVIL WORKS AND INFRASTRUCTURE

Originally just focusing on heavy civil works and infrastructure, Mushrif's tremendous growth has also meant expanding its services, giving the Company the flexibility to offer a wider and more comprehensive scope of services to our clients. Nevertheless, civil works and infrastructure projects will remain Mushrif's core business in the future, having achieved many years of success in this endeavour.

Our commitment to higher quality, lower cost and shorter schedules has helped us to succeed and achieve tremendous growth. Our large fleet of construction and heavy machinery, including asphalt and concrete batching plants, ensures rapid mobilisation, so that we start and stay on schedule. Our range of services include contracting and engineering in large storage reservoirs, gravity and pressure mains of various pipe materials, road and runway construction, large earthwork projects, housing and urban developments, civil maintenance projects and large industrial construction.

Our many years of experience, established management systems and qualified personnel allow us to provide a comprehensive array of services, including industrial construction, equipment installation, as well as operation and maintenance services.

WASTEWATER TREATMENT PLANTS

Our commitment to the environment is demonstrated by our involvement in environmental protection initiatives, through responsible water disposal and recycling of hazardous waste materials, wasteland reclamation and construction of controlled disposal facilities.

We have over 550 engineers, technicians and operators currently active in this segment of our business. Our plans to expand further will enhance our position as regional leaders in environmental contracting and engineering. Our capabilities include the full range of operation and maintenance, and the repair and renovation of mechanical, electrical, instrumentation and civil facilities.

Our fully staffed and equipped laboratories ensure compliance with the highest quality standards for wastewater treatment; in addition, our design and biological process capability ensures that we meet client goals of providing clean treated effluent.

Our strict adherence to technical and operational controls has helped us to undertake major projects such as the Umm Al Hayman Wastewater Treatment Works in Southern Kuwait, Riqqa and the Ardiya Wastewater Treatment Plants in Kuwait; the Tubli Sewerage Treatment Plant in Bahrain; the Lusail Sewage Treatment Works and the Doha West Sewage Treatment Works in Qatar; the ICAD Industrial Effluent Treatment Plant in Mussafah, Abu Dhabi; and the Design and Construction of Kabd Waste Water Treatment Plant, Pumping Station and Pressure Mains in South of Amgara and New Jahra Area in Kuwait, to name just a few.

ROADS, HIGHWAYS AND RUNWAYS

Our large fleet of construction and heavy machinery, including asphalt and concrete plants, ensures rapid mobilisation for executing road and highway works. Road and bridge works at Ahmadi, road works on (6th Ring Road / Ardiya Industrial Area / Jahra and South Surra), construction of roads as well as Rain and Sewage Drainage Lines at Mahboula, construction of interchanges on main highways - Jahra Motorway and Fifth Ring Motorway connecting to Jahra and South Doha Areas all in Kuwait, and road maintenance works for KOC, are some of the major achievements of Mushrif in this sector.

In June 2014, we were awarded project RA/248 by Kuwait's Ministry of Public Works (MPW) for the Construction of Elevated U-Turns on the Neuwaiseeb Highway. We are currently executing project RA/211 the Construction and Maintenance of Roads and Intersections for serving Jaber Al Ahmed City also issued by the Ministry of Public Works (MPW), Kuwait.

On runways, Mushrif has the experience in the use of (polymer) modified bitumen and is one of the pioneering users of this material which enhances reliability and efficiency in extreme temperatures due to oil and heavy aircraft usage. Mushrif has established a niche market through successful execution of several fast track projects for the airport/aviation sector. Eclipsing all competition, Mushrif has won high profile and lucrative contracts such as works for the Parking Bay and Taxiway at Kuwait City International Airport, Helicopter Hangar Facilities for the US Army-Kuwait, Pavement Maintenance Works at Kuwait City International Airport, Multipurpose Range Complex at Udairy for US Army-Kuwait and Maintenance of the Eastern Runway.

BUILDINGS AND FOUNDATION

Mushrif has the capability to provide engineering services for large building projects. The strength of our building and structural activities lies in our highly-trained and qualified technicians and engineering professionals. Their skills, gained over decades of work experience, enable this division to visualise and successfully implement established project goals and requirements.

We offer several contracting services, including conventional lump sum bid, design build, BOT, guaranteed maximum price and negotiated general contracts. In the past MTCC have executed building projects like the Zakat House, the Abu Dhabi Central Market Redevelopment (Souk Work), the Diamond Factory, Construction of Executive Service Al Dhahery Building, the MGC Central Control Room and MGC Administration Building. MTCC will be shortly handing over the SE/66 project by the Ministry of Public Works (MPW), Kuwait which involves the Construction, Completion, Commissioning, Handover and Maintenance of four Central Telemetry & Utility Buildings at Ardiya Pumping Station in Kuwait, including the [1] Telemetry Building - Building A, [2] Environmental Building - Building B, [3] Purification and Water Resources - Building C and [4] Sub-Station and Plant Room - Building D.

FIELDS OF ACTIVITY

OIL, GAS AND ENERGY

Recognising the enormous potential for growth in this field, Mushrif expanded its areas of expertise and embraced the Oil & Gas/Energy sector by launching a dedicated Electrical-Mechanical Division, which helped the Company cement its leadership position, increase productivity and achieve financial gain.

Mushrif has executed several projects, including major contracts, for the oil, gas and energy sectors, such as the Seawater Cooling Towers with Petrochemical Industries Co. (PIC); the Installation of Corrosion Inhibitor Injection Facilities and Corrosion Monitoring Facilities, Installation of Drip Barrel for LP Gas Fuel Line and Engineering & Construction of ESD/ESDV systems on various Gathering Centres for the Kuwait Oil Company (KOC); and the Design and Installation of Gas Line for the National Industries Company, Kuwait. Currently we are executing project No. 13050638 for the Installation of Multipoint Smokeless High Pressure Flares at Fourteen (14) South and East Kuwait Gathering Centres. We were also awarded project No. 15050923 on March 2015 for the New flowlines for 5 existing injection wells, 1 new source well & replacement of 19 existing brackish water flowlines - WK plus emergency brackish water line to NTF

In addition, we have rebuilt, installed and relocated components within the oil, petrochemical, environmental and engineering industries. We have also performed machine restoration and in-plant maintenance for our clients.

ENGINEERING AND TECHNICAL DIVISION

The Engineering and Technical Division is responsible for all engineering services including the preparation of design works for all projects along with shop drawings, bar bending schedules, issuance of method statements and analysis of surveying works.

Shop drawings, 'as-built' drawings, services like plotting, copying and drawings are some of the basic technical services provided by the department.

The Engineering and Technical Division has highly qualified engineers, designers, architects and CAD operators and is fully equipped with the necessary hardware and software support for any design and engineering requirement.

FACILITIES OPERATION AND MAINTENANCE

We regularly receive requests from some of our clients to manage the operation and maintenance of civil works and equipment for sewage/wastewater treatment plants, pumping stations, reservoirs and other industrial facilities.

The major services we provide include:

- Management of all operation and maintenance activities.
- Detailed planning and programming of all preventive, predictive and routine maintenance works using specifically designed software and data collection hardware.
- Planning of all process operations and automation utilising three -8hour shifts.
- Managing and handling all emergency and breakdown repairs and maintenance activities.
- Managing and training staff in all aspects of process operations, automation and biological and chemical safety.
- Managing, procuring and storage of all required spares and replacement parts.
- Managing, adjusting and optimizing the mechanical, biological and chemical process requirements to ensure the best possible operational parameters are achieved at all times.
- Routinely analysing the load and requirement of various modules of the plant to assess the need to upgrade its process equipment, piping, electrical and control systems.
- Regular balancing, calibration and repairing of motors, pumps, impellers, gland packing, rotors, bearings, shafts, instrumentation and sensors, etc.

PROJECT HIGHLIGHTS

Key Ongoing Projects during the year 2014

Client: **Ministry of Public Works, Kuwait**
Contract No: **RA/211**
Project: **Construction and Maintenance of Roads and Intersections serving Jaber Al Ahmed city**

Scope of Work:

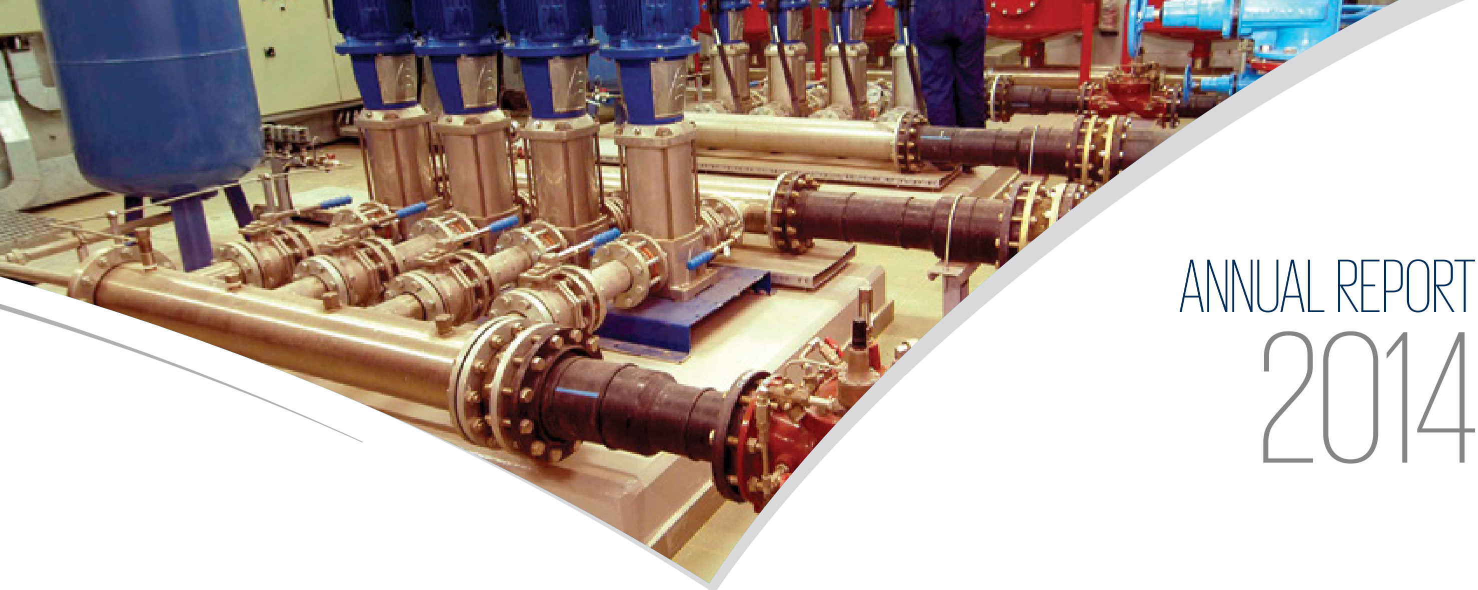
The upgrading works mainly involved the main access roads toward the Jaber Al Ahmed City, Saad Abdullah Housing and Northwest Sulaibikhat Housing Projects along Jahra Road and Doha Spur Motorway. There are six (6) interchanges (IC) that need to be upgraded, as follows:

1. IC 5: Modification of existing half clover leaf to diamond type configuration with signalised operations.
2. IC 18: Designed to have a diamond shape configuration with two bridges to the north and south bound direction of the main access road.
3. IC 6: Upgrading works involve the installation of U-turns and right turning lanes into the existing diamond type interchange.
4. IC 19: Involves mainly the change to a half-access interchange.
5. IC 14: A depressed road (box tunnel) to underpass Doha Spur Motorway and will require a pumping station is provided to avoid flooding of the structure.
6. IC 15: The upgrade works cover the widening of the interchange including construction of two (2) bridges.

Client: **Joint Operations, Wafra**
Contract No: **JO/SC302/PO11**
Project: **Flowline Replacement and General Support for Production Operations**

Scope of Work:

The project is basically manpower and equipment supply and other service orders. The services consist of supplying oil field experienced personnel, heavy equipment, tools, instruments, welding electrodes and other consumables for fabrication works (materials supplied by Joint Operations), and resources necessary for the performance of flowline-related services and support for production operation at sub centres and service order for pipe support work.



Client: **Kuwait Oil Company**
Contract No: **13050638 (KOC)**
Project: **Installation of Multipoint Smokeless High Pressure Flares at Fourteen (14) South and East Kuwait Gathering Centres**

Scope of Work:

Design, detailed engineering, procurement and installation of high pressure smokeless pit flares at fourteen of KOC's crude oil gathering centres across South and East Kuwait; including supply and installation of pipe line together with associated electrical, instrumentation, civil and structural works.

Client: **Public Authority of Industries, Kuwait**
Contract No: **PAI/18M/A/2013**
Project: **Design, Execution, Completion and Maintenance of the Infrastructure of the Shaddadiah Industrial Zone (Design and Build)**

Scope of Work:

The scope consists of the design and execution of the infrastructure of Shaddadiah Industrial Zone [SIZ] on a plot of 5,000,000m2 and includes bulk earthworks (~ 900,000 m2), internal road network (approx. 6.1 km of Major Collector, 2.9 km of minor collector and 24.1 km of access roads), as well as roundabouts and parking areas. It also includes electrical supply and distribution system (including one 400KV / 132KV / 11KV Main Station, three 132KV / 11KV Main Substations and approximately 80 Substations 11KV / 0.415KV), street lighting, fresh water system (including U/G reservoir and 2 water towers), fire-fighting network, storm water system, sanitary network, waste water treatment plant, irrigation and landscaping.

Client: **Ministry of Public Works, Kuwait**
Contract No.: **SE/66**
Project: **Construction, Completion and Maintenance of the Central Telemetry Building for the Remote Monitoring and Control Centre for the facilities of sewage network in Kuwait**

Scope of Work:

The contract comprises the construction, completion, commissioning, handover and maintenance of the Central Telemetry Buildings at Ardiya Pumping Station - Kuwait. The approximate plot area is 109,040m2. The works mainly consist of the following buildings: (1) Telemetry Building - Building A, (2) Environmental Building - Building B, (3) Purification and Water Resources - Building C and (4) Sub-Station and Plant Room - Building D; while the External Works consist of earthworks, soft and hard landscaping, including roads etc.; and external mechanical electrical works.

PROJECT HIGHLIGHTS

Key Ongoing Projects during the year 2014

Client: Ministry of Public Works, Kuwait
Contract No.: SE/80
Project: Construction and Maintenance of Water Network and Tanks for C1 Treated Water

Scope of Work:

The project aims to provide treated effluent water for the project areas. The scope shall include the construction of thirteen (13) reservoirs; construction of one pumping station; construction of approximately 23 km of ductile iron pipe; supply, installation and commissioning of booster pumps, media filters sump pumps in thirteen reservoirs; supply, installation and commissioning of transfer pumps, booster pumps, chlorine pumps, media filter, screen filter, overhead crane, control room for telemetry and SCADA System.

Client: Kuwait Oil Company
Contract No.: 15050923 (KOC)
Project: New flowlines for 5 existing injection wells, 1 new source well & replacement of 19 existing brackish water flowlines - WK plus emergency brackish water line to NTF.

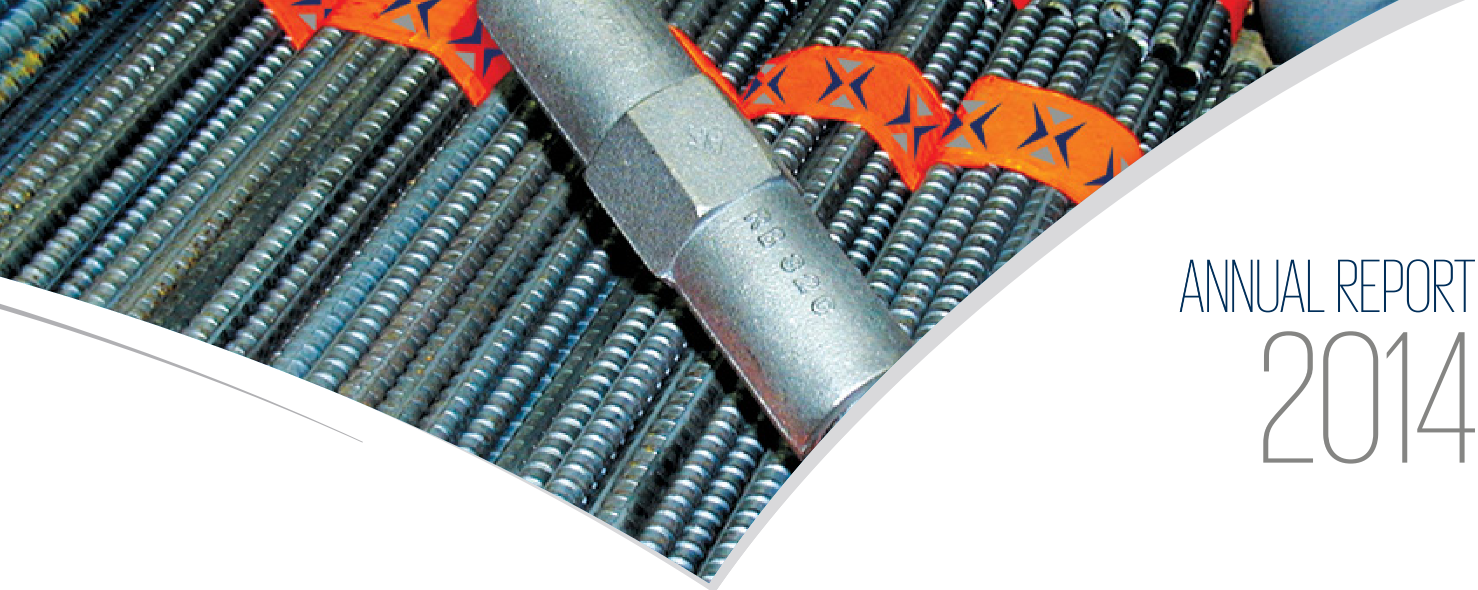
Scope of Work:

The works comprise Site Survey, Slit Trenching, finalising Pipeline route, Design & Detailed Engineering, performing HAZOP, PHASER, QRA, EIA and SIL Studies, Procurement & Supply of all materials, tools and equipment, installation, testing and commissioning of carbon steel pipelines in West Kuwait. The Works comprise two portions:

Portion 1 - Injection Wells and Water Wells in West Kuwait: Supply, Installation and Testing (incl. Hydro testing) of flowlines for Minagish Injection Wells and RTRP pipelines for Water Wells at Abdulliyah in West Kuwait area as follows:

a). 8 inch Dia, above ground, FBE coated Carbon Steel pipelines from 5 existing Injection Wells to MWIP, complete with Valves and pigging facilities,
b). 8 inch Dia, U/G, RTRP pipeline from Aquifer Water Source Well to MWIP, complete with Valves & Strainer,
c). Two (2) mobile Pig L/R for the new flowlines, complete with Manual Crane,
d). One (1) mobile Pig L/R for the new Aquifer flowline,
e). Five (5) Evaporat. Ponds for the Injection Wells and One (1) Evaporat. Pond at Source Well Head,
f). One (1) Injection Well Head Substation, comprising Substation building, one 11KV RMU, one 1000 KVA Transformer, one 100 KVA Transformer, Power Distribution Board, Battery Chargers, Lighting and HT & LT cabling,
g). 8 inch Dia U/G RTRP pipelines from the 19 Wells to APH, complete with Valves, to replace existing U/G pipelines,
h). Two (2) Carbon Steel Headers, 30 inch Dia, Liquid Epoxy Coated at APH,
i). New 6 inch Dia Drain System and Drain Pit outside APH fence,
j). Solar Panels complete with Batteries and battery Charges for power supply to RTUs,
k). All Instrumentation works, incl. SCADA,
l). Excavate, Dismantle and Shift redundant U/G pipelines to Company location in Ahmadi.

Portion 2 - Emergency Brackish Water Supply to NTF: Supply & Install 12 inch Dia RTRP pipe to interconnect existing 12›› and 24›› Brackish Water lines for emergency Brackish Water Supply to North Tank Farm. All civil works for Portions 2 & 1, including Foundations, Steel structures, etc.



Client: **Fluor Consultant BV (Kuwait National Petroleum Company)**
Contract No.: **C9FP-FI-FI-1K003**
Project: **Clean Fuel Project (CFP) - Main Civil works (Area 1)**

Scope of Work:

The works include earthworks, concrete works, precast concrete works, road and paving works, structural steel erection and underground piping works. The majority of the works in this contract is related to installation of pipe rack foundations and sleepers, structural steel erection and supply & installation of underground piping in the interconnecting pipe way areas of the existing MAB refinery (Area 1).

Client: **Ministry of Public Works, Kuwait**
Contract No.: **SE/S/184**
Project: **Management, Operation & Maintenance of Kabd Treatment Plant**

Scope of Work:

The contract includes the Management, Operation, Maintenance (preventive, corrective and replacement) of mechanical and electrical equipment, pipes, instruments, diesel generators, PLC (Programmable Logic Control) and DCS (Distributed Control System) control systems, laboratory equipment and devices, civil structures and plant services including running, stand-by and new equipment's according to manufacturers› recommendation as specified in the operation and maintenance manuals within the wall boundary fence area (800m x 800m) of Kubd WWTP to achieve the proper process treatment control of the total quantity of raw sewage Influent characteristics flow up to existing design of the raw sewage loading capacities inflow 180,000m3/day and peak flow 270,000m3/day including total quantity of raw sewage collected from various locations in state of Kuwait by tankers that dumped in the tankered waste discharge chamber and controlling the hydraulic flow and shock pollutants loadings to produce the quality of tertiary treated effluent according to MPW specifications in the Effluent Collection Chamber where the tertiary treated effluent flows to DMC (Data Monitoring Center) by gravity. The extent of works shall include but not limited to the automatic operation of the entire Kubd WWTP equipment round the clock (24 hours) including holidays and shall be either controlled from PLC (Programmable Logic Control) and monitored from DCS (Distributed Control System) for such equipment's or controlled and monitored from the DCS control system only for other equipment's as indicated.

PROJECT HIGHLIGHTS

Key Ongoing Projects during the year 2014

Client: **Ministry of Public Works, Kuwait**
Contract No.: **SE/S/183**
Project: **Management, Operation & Maintenance of Jahra Pumping Station**

Scope of Work:

The objective of this contract is to Manage, Operate, Maintain, Repair and Replace all existing facilities and services belonging to Jahra Main Pumping Station area including and connected with all secondary lifting pumping stations and other not mentioned supplementary stations, screw conveyor station, odour control system, chemical injection systems, fresh water supply, drainage and ventilation Systems, all pressure and gravity lines network, manholes, transitions & valves chambers, mechanical and electrical equipment, A/C systems (chiller system, split unit, package unit), piping, instruments, diesel generators, DCS/PLC systems, civil structures including running, stand-by and new equipment's according to manufacturers› recommendation manuals within the wall boundary fence area (200mX200m).

The extent of works shall include the operation controls of Jahra Station equipment in fully automatic continuous operation round the clock (24 hours) including holidays and shall be monitored from DCS. The extent of works shall include the Operation and Maintenance of Twin pressure underground pipelines (DI,1400mm, 16Km) from Jahra Pumping Station to Kubd WWTP including air release valves (5 Nos.), washout chambers (5 Nos.) and isolation valve chambers (2 Nos.). Overflow from Jahra Pumping Station 1600mm, HDPE, connected with overflow line of existing Jahra WTTP with 1200mm asbestos pipe line by-pass to the sea.

Client: **Ministry of Public Works, Kuwait**
Contract No.: **RA/248**
Project: **Design, construction, completion and maintenance of temporary elevated U-turns at Nuwaiseeb Highway**

Scope of Work:

The project scope (Group B) comprise the Design, Construction and Maintenance of four (4) Temporary Elevated U-Turns at two (2) locations [Location 3 at Wafra / Al Zour Interchange and Location No 4 at Khiran] along Nawaseeb Road (Road 40). Each location consists of a pair of U-Turns. All U-Turns shall be grade separated, elevated. The bridge structures over existing Highway shall be made of concrete. Design of all Associated structures, such as Mechanically Stabilised Earth Retaining Walls (MSE) approach ramp roads, traffic signs & marking, utilities protection & relocation, etc, is also required. The execution of a complete Topographic Survey, Geotechnical & Soil Investigations, Inspection and Investigation of all existing or new utilities shall be part of the contractual duties of the Contractor.

AWARDS AND RECOGNITION

Contractor of the Year 2014

This award was given during the Wafra Joint Operations' 10th Annual Contractor EHS Forum in Kuwait on February 2015 ,5. Business Partners who demonstrated exceptional EHS performance or great partnership in 2014 received their annual awards. Amongst those, Mushrif Trading & Contracting Co. was selected Contractor of the Year 2014 for outstanding commitment to our common EHS objectives as well as great performance and improvements done.

MEED Quality Awards for Projects

In 2013 & 2012, Mushrif received two awards in a row the prestigious MEED Quality Awards for Projects for the Contracts SE/100 – Kubd Waste Water Treatment Plant and PAHW/1139 – Soil Improvement, Roads & Infrastructure for 1426 plots + 52 nos. of Transformer at North West Sulaibikhat. The projects were selected as a National Winner among the Gulf Cooperation Council (GCC) countries.

ASSE GCC HSE Excellence Award

Mushrif was bestowed the ASSE GCC HSE Excellence Gold Award 2014. These awards honour private sector companies for their leadership, excellence and exceptional performance in the field of Health, Safety and Environment in the Gulf Region, and was given by the prestigious American Society of Safety Engineers (ASSE) – Kuwait Chapter.

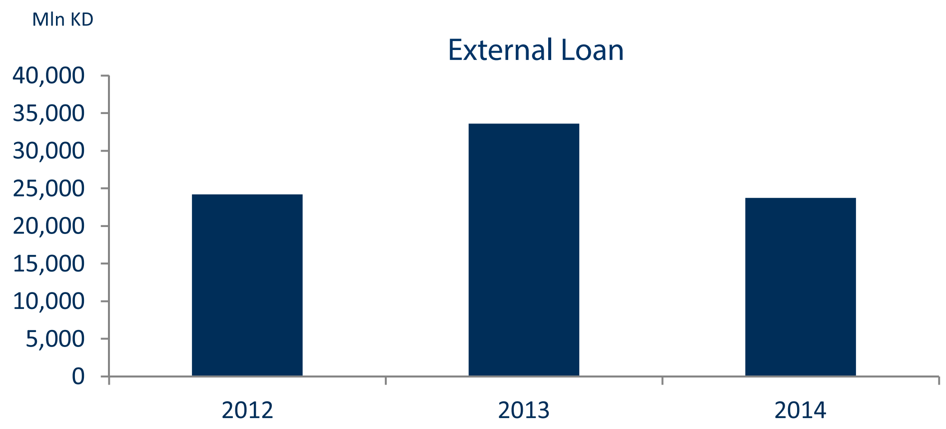
Chartered Institute of Purchasing & Supply Award

In addition to our project performance, Mushrif's proactive Procurement Department staff was selected as a finalist at the 2013 Chartered Institute of Purchasing and Supply (CIPS) Award for the Procurement Team of the Year award. A CIPS recognition is the highest honour any company or individual in the procurement and supply chain profession can receive.

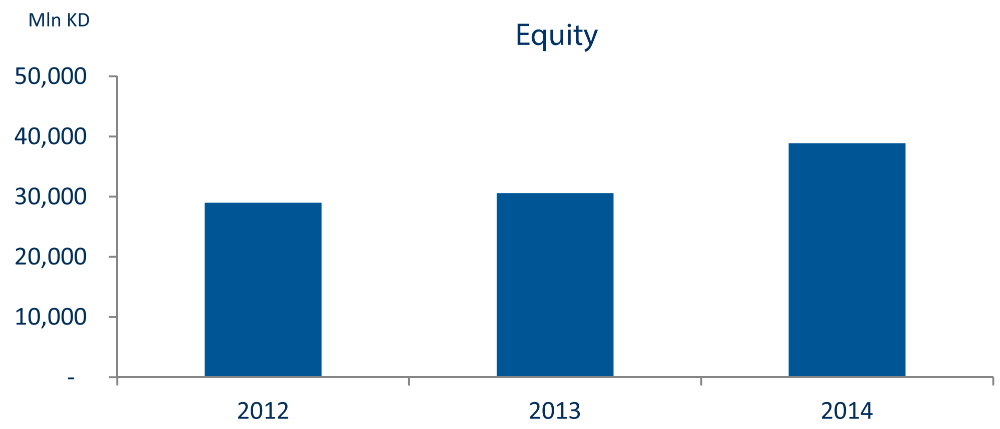
In winning the award, Mushrif was chosen amongst the best EPC companies from across the GCC, representing a shortlist of finalists chosen.

2014 Financial Indicators

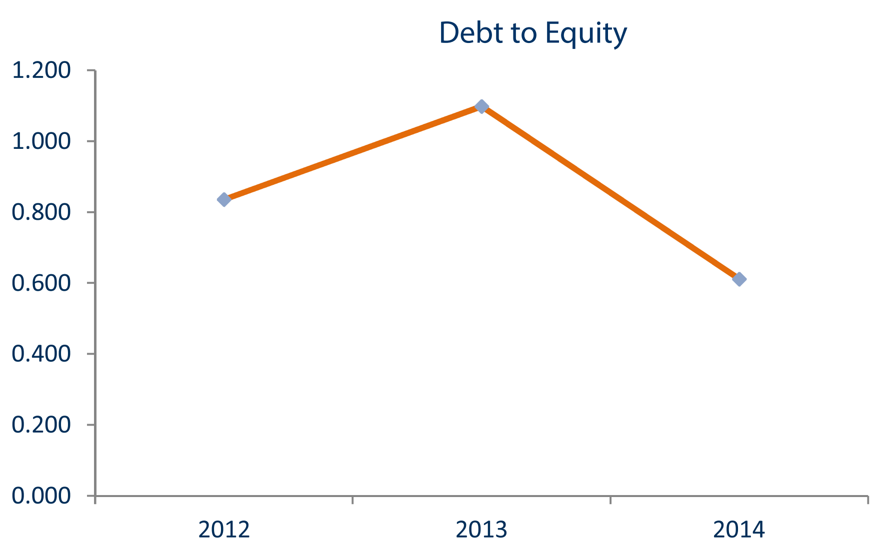
Debt & Equity



Mln KD
External Loan
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2012
2013
2014



Mln KD
Equity
50,000
40,000
30,000
20,000
10,000
-
2012
2013
2014



Debt to Equity
1.200
1.000
0.800
0.600
0.400
0.200
0.000
2012
2013
2014

ANNUAL REPORT
2014

Consolidated Financial Statements

31 DECEMBER 2014

MUSHRIF TRADING AND CONTRACTING COMPANY K.S.C.P. AND SUBSIDIARIES

Building a better
working world
Ernst & Young

Ernst & Young
Al aiban Al Osaimi & Partners
P.O.Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel.: +965 22955000
Fax: +965 22456419
kuwait@kw.ey.com
ey.com/mena

BAKER TILLY
KUWAIT
Dr. Saud Hamad Al-Humaidi & Partners
Public Accountants

P.O. Box 1486, safat 13015 kuwait
Tel.: +965 22443222
Fax: +965 22442333
Fax: +965 22461225

www.bakertillykuwait.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MUSHRIF TRADING AND CONTRACTING COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mushrif Trading and Contracting Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 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.

EY
Building a better working world
Ernst & Young

BAKER TILLY KUWAIT
DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
PUBLIC ACCOUNTANTS

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 9(f) to the consolidated financial statements, which describes the uncertainty relating to a claim filed by the Group against one of the suppliers. Our opinion is not qualified in respect of this matter.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended and its executive regulation, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended and its executive regulation, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

26 March 2015
Kuwait

DR. SAUD HAMAD AL-HUMAIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

	Notes	*2014* *KD*	*2013* *KD*
Operating revenue	3	**35,463,949**	38,006,295
Operating costs		**(32,953,780)**	(34,091,442)
GROSS PROFIT		**2,510,169**	3,914,853
Finance income		**267,905**	753,722
Discount on settlement of Murabaha payable	15	**1,271,347**	-
Gain on disposal of property, plant and equipment		**12,590**	769,976
Other income	4	**555,065**	809,032
Foreign exchange gain (loss)		**23,248**	(26,014)
General and administrative expenses		**(1,874,348)**	(1,985,306)
Impairment of receivables and expenses relating to a terminated contract	21	**(3,983,510)**	-
Impairment of goodwill	7	**(400,000)**	-
Allowance for doubtful debts	9	**(318,187)**	(884,705)
Finance costs		**(1,059,365)**	(1,708,598)
Murabaha costs		**-**	(34,796)
(LOSS) PROFIT FOR THE YEAR BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT		**(2,995,086)**	1,608,164
Contribution to KFAS		**-**	(16,083)
NLST		**-**	(65,282)
Zakat		**-**	(26,113)
(LOSS) PROFIT FOR THE YEAR		**(2,995,086)**	1,500,686
		fils	*fils*
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	5	**(10.63)**	7.51

The attached notes 1 to 24 form part of these consolidated financial statements.

	2014	*2013*
	KD	*KD*
(Loss) profit for the year	**(2,995,086)**	1,500,686
Other comprehensive income:		
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods		
Foreign currency translation adjustments	**656,622**	119,386
period		
Total other comprehensive income for the year	**656,622**	119,386
period		
Total comprehensive (loss) income for the year	**(2,338,464)**	1,620,072

The attached notes 1 to 24 form part of these consolidated financial statements.

	Notes	***2014*** ***KD***	*2013* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,818,834**	4,941,097
Intangible assets	7	**12,381,053**	12,367,360
Long term receivables	8	**4,342,346**	-
		20,542,233	17,308,457
Current assets			
Inventories		**1,393,688**	1,462,400
Current portion of long term receivables	8	**1,354,350**	7,449,252
Accounts receivable and other assets	9	**59,417,289**	64,600,396
Cash and bank balances	10	**8,106,978**	5,702,982
		70,272,305	79,215,030
TOTAL ASSETS		**90,814,538**	96,523,487
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**30,700,000**	20,000,000
Share premium		**6,039,556**	6,039,556
Treasury shares	12	**(214,336)**	(214,336)
Treasury shares reserve		**22,313**	22,313
Statutory reserve	13	**544,099**	544,099
Retained earnings		**1,495,891**	4,567,429
Foreign currency translation reserve		**300,740**	(355,882)
Total equity		**38,888,263**	30,603,179
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	14	**1,039,437**	19,067,220
Murabaha payable	15	**-**	2,987,445
Employees' end of service benefits	16	**2,450,690**	2,174,920
		3,490,127	24,229,585
Current liabilities			
Interest-bearing loans and borrowings	14	**22,711,773**	11,555,345
Accounts payable and other liabilities	17	**25,724,375**	30,135,378
		48,436,148	41,690,723
Total liabilities		**51,926,275**	65,920,308
TOTAL EQUITY AND LIABILITIES		**90,814,538**	96,523,487

Faisal Juma Khalfan Belhoul
(Chairman)

The attached notes 1 to 24 form part of these consolidated financial statements.

	Notes	***2014 KD***	*2013 KD*
OPERATING ACTIVITIES			
(Loss) profit before contribution to KFAS, NLST and Zakat		**(2,995,086)**	1,608,164
Adjustments for:			
Depreciation	6	**1,221,893**	1,333,796
Amortisation	7	**20,763**	20,763
Impairment of goodwill		**400,000**	-
Impairment of receivables and expenses relating to a terminated contract		**3,983,510**	-
Discount on settlement of Murabaha payable		**(1,271,347)**	-
Charge (reversal) of provision for foreseeable losses, net	17	-	791,877
Allowance for doubtful debts	9	**318,187**	884,705
Finance cost		**1,059,365**	1,708,598
Murabaha cost		-	34,796
Gain on sale of property, plant and equipment		**(12,590)**	(769,976)
Provision for end of service indemnity	16	**467,929**	366,739
Finance income		**(267,905)**	(753,722)
		2,924,719	5,225,740
Changes in operating assets and liabilities:			
Inventories		**68,712**	198,038
Accounts receivable and other assets		**618,660**	(19,459,542)
Accounts payable and other liabilities		**(4,411,003)**	7,556,229
Cash used in operations		**(798,912)**	(6,479,535)
Employees' end of service benefits paid	16	**(181,579)**	(168,791)
KFAS, NLST and Zakat paid		-	(115,085)
Net cash used in operating activities		**(980,491)**	(6,763,411)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(79,210)**	(3,260,790)
Proceeds from sale of property, plant and equipment		**17,025**	1,272,798
Movement in restricted deposits with banks		**97,558**	404,101
Net cash from (used in) investing activities		**35,373**	(1,583,891)
FINANCING ACTIVITIES			
Proceeds from issuance of new shares		**10,700,000**	-
Transaction costs incurred on issuance of new shares		**(76,452)**	-
Receipt of long term receivables (including interest)		**3,010,645**	2,775,207
Net movement in interest-bearing loans and borrowings		**(6,846,795)**	8,994,636
Settlement of murabaha payable		**(1,716,098)**	(730,953)
Finance costs paid		**(1,059,365)**	(461,425)
Murabaha cost paid		-	(34,796)
Net cash from financing activities		**4,011,935**	10,542,669
Foreign currency translation adjustments		**(565,263)**	(24,084)
Net increase in cash and bank balances		**2,501,554**	2,171,283
Cash and bank balances at beginning of the year		**3,654,393**	1,483,110
Cash and bank balances at end of the year	10	**6,155,947**	3,654,393

The attached notes 1 to 24 form part of these consolidated financial statements.

	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Stat-utory reserve KD*	*Retained earnings KD*	*Foreign currency trans-lation reserve KD*	*Total KD*
Balance at 1 January 2014	20,000,000	6,039,556	(214,336)	22,313	544,099	4,567,429	(355,882)	30,603,179
Loss for the year	-	-	-	-	-	(2,995,086)	-	(2,995,086)
Other comprehensive income for the year	-	-	-	-	-	-	656,622	656,622
Total comprehensive (loss) income for the year	-	-	-	-	-	(2,995,086)	656,622	(2,338,464)
Issue of shares during the year (Note 11)	10,700,000	-	-	-	-	-	-	10,700,000
Transaction costs of issue of new shares	-	-	-	-	-	(76,452)	-	(76,452)
Balance at 31 December 2014	**30,700,000**	**6,039,556**	**(214,336)**	**22,313**	**544,099**	**1,495,891**	**300,740**	**38,888,263**
Balance at 1 January 2013	20,000,000	6,039,556	(214,336)	22,313	383,283	3,227,559	(475,268)	28,983,107
Profit for the year	-	-	-	-	-	1,500,686	-	1,500,686
Other comprehensive income for the year	-	-	-	-	-	-	119,386	119,386
Total comprehensive income for the year	-	-	-	-	-	1,500,686	119,386	1,620,072
Transfer to statutory reserve	-	-	-	-	160,816	(160,816)	-	-
Balance at 31 December 2013	20,000,000	6,039,556	(214,336)	22,313	544,099	4,567,429	(355,882)	30,603,179

The attached notes 1 to 24 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

Mushrif Trading and Contracting Company K.S.C.P. (the "Parent Company") was incorporated in the State of Kuwait on 10 January 1968 as a limited liability company and was converted to a closed shareholding company on 1 January 2000. The Parent Company is listed on the Kuwait Stock Exchange.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 26 March 2015 and are subject to the approval of the General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The main activities of the Group are as follows:

- Construction activities and dealing in constructing materials.
- Ownership of properties and real estate necessary for performing the Company's activities within the limits approved by the law.
- Usage of surplus funds available for the Parent Company through portfolios managed by specialised companies and entities.

The major shareholders of the Parent Company are Gulf Consortium 2 L.L.C. and Gulf Consortium L.L.C.

The consolidated financial statements of the Group for the year ended 31 December 2013 were approved by the shareholders of the Parent Company on 21 May 2014.

The address of the Parent Company's registered office is at P.O. Box 32514, Rumaithya, Code No. 25556, State of Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries, branches and joint ventures for the year ended 31 December 2014. Details of the major subsidiaries included in the consolidated financial statements are as follows:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Name of the subsidiaries	*Country of incorporation*	*Activities*	*Legal ownership*	
			2014	*2013*
Al Hamed General Transport L.L.C. (Al Hamed)	United Arab Emirates	Public Transportation	**100% (100% letter of assignment)**	100% (100% letter of assignment)
Cercon Civil Construction L.L.C. (Cercon)	United Arab Emirates	General Trading and Constructions	**100% (51% letter of assignment)**	100% (51% letter of assignment)

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses, at each reporting date, 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The reporting dates of the subsidiaries and the Parent Company are identical and in case of different reporting date of subsidiaries, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The subsidiaries' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. All intra-Group balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in other comprehensive income
- 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 consolidated statement of income or retained earnings, as appropriate.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year except for the adoption of the following new standards, applicable to the Group and effective for the annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or financial position of the Group. They did however give rise to additional disclosures, as briefed below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments, effective for annual periods beginning on or after 1 January 2014, 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. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)
These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in any impact on the financial position or performance of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units (CGUs) for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The relevant disclosures, if any, have been disclosed in the consolidated financial statements of the Group.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have not resulted in any impact on the financial position or performance of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

Other amendments to IFRS which are effective for the annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARD ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to be applicable at the future date. The Group intends to adopt these standards when .they become effective

IFRS 9 Financial Instruments
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest in joint ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

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 either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial 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 acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 '*Financial Instruments: Recognition and Measurement*', is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account the contractually defined terms of payments excluding discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Construction contracts
The Group principally operates fixed price contracts, if the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

Service revenue
Service revenue is recognised upon performance of services.

Finance income
Finance income is recognised as interest accrues using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Kuwait Foundation for the Advancement of Sciences (KFAS)
KFAS is calculated in accordance with the modified calculation based on the Ministry of Finance resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve and Zakat should be excluded from profit for the year, when determining the contribution.

National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of adjusted profit for the year. As per the Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year to arrive at the adjusted profit.

Zakat
Contribution to Zakat is calculated at 1% of the adjusted profit for the year in accordance with the Ministry of Finance resolution No. 58/2007. As per law, income from associates and subsidiaries, cash dividends received from companies listed in Kuwait Stock Exchange which are subjected to Zakat, have been deducted from the profit for the year, to arrive at the adjusted profit.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment in value. Such costs include the cost of replacing part of equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is provided on a straight line basis on all property, plant and equipment, other than projects in progress. The rates of depreciation are based upon the following estimated useful life of the assets as follows:

• Buildings	20 years
• Heavy vehicles and construction equipment	7 to 10 years
• Light equipment and tools	4 to 5 years
• Light vehicles	5 years
• Office furniture, fixtures and software	4 to 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Leasehold rights
The rights over leasehold land is amortised over the lease period of 10 to 24 years.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Inventories
Inventories are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Construction materials	-	purchase cost on a weighted average basis
Work in progress	-	cost of direct material and labour.

Net realisable value is the estimate of the selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities

Financial assets

The Group classifies its financial assets as “Loans and receivables”. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

The Group classifies its loans and receivables as “long term receivables”, “accounts receivables and other assets” and “cash and cash equivalents” in the consolidated statement of financial position.

Accounts receivables and other assets

Accounts receivables and other assets are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of a part of or the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of cash flows statement, cash and cash equivalents represent cash in hand and bank balances, net of restricted deposits with banks.

Financial Liabilities

Financial liabilities are classified as “non-trading financial liabilities”. The Group’s non-trading financial liabilities are classified under “interest-bearing loans and borrowings”, “murabaha payables” and “accounts payable and other liabilities”.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are carried on the consolidated statement of financial position at their principal amounts. Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in ‘accounts payable and other liabilities’.

Murabaha payable

Murabaha payable represent the amount payable on a deferred settlement basis for assets purchased under murabaha agreements. Murabaha payable are stated at gross amount of payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Accounts payable and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

Financial assets and financial liabilities (continued)

Derecognition of financial assets and financial liabilities

Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

Impairment and uncollectibility of financial assets

An assessment is made at reporting date to determine, whether there is objective evidence that a specific financial asset or group of financial assets may be impaired and, in case of other assets, whether there is an indication that a specific asset may be impaired. A financial asset or a group of financial assets are impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of comprehensive income.

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for financial assets classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of financial assets classified as available for sale are recognised in other comprehensive income.

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value measurement of financial instruments
Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including financial instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

The fair value of financial instruments carried at amortised cost, other than short-term in nature is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments. The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

For assets and liabilities that are recognised in the consolidated 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.

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

Gross amount due from/(to) customers for uncompleted contracts represents costs plus attributable profit to the extent that it is reasonably certain, less provision for any losses incurred or foreseen in bringing contracts to completion, and less amounts received or receivable as progress billings. For contracts where progress billings received and receivable exceed the costs plus attributable profit of work executed, the excess is included under liabilities. Costs comprise direct materials, direct labour and an appropriate allocation of overheads, including depreciation provided on property, plant and equipment and a proportion of administrative expenses.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate, where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. The Group recognises the estimated liability on all completed projects still under warranty at the reporting date. This provision is calculated based on service histories.

Employees' end of service benefits

The Group is liable under Kuwaiti Labour Law, to make payments to the employees for past employment benefits through a defined benefits plan. These amounts are paid to employees on a lump sum basis upon service termination. As for the employees in other countries, end of service indemnity is calculated as per the applicable laws of these countries. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the treasury shares reserve, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issuance 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.

Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Assets including goodwill and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Revenue recognition
The Group has used the percentage of completion method to measure the delivery of fixed-price contracts. Revenue is generally recognised based on the services performed. The percentage of completion method requires the management to estimate the expected estimated cost to complete the contract as at the reporting date.

Impairment
At each reporting date management assesses whether there is any indication that inventories, receivables, intangible assets and property, plant and equipment may be impaired. The determination of impairment requires considerable judgment and involves evaluation factors including, industry and market conditions.

Contingent liabilities
Contingent liabilities are potential liabilities that arise from past events whose existence or otherwise will be confirmed through occurrence of future events. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Fair values of assets and liabilities acquired
The determination of the fair value of assets, liabilities and contingent liabilities as a result of business combination requires significant judgment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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:

Accounts receivable
The Group reviews its doubtful receivables periodically to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are based on assumptions about several factors involving varying degree of judgment and uncertainty.

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 cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful life of property, plant and equipment
The Group's management determines the estimated useful life and related depreciation charges for its property, plant and equipment. Management will increase the depreciation charge where the useful life are less than previously estimated life, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Fair values of assets and liabilities including intangibles
Considerable judgement by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

3 OPERATING REVENUE

	2014	*2013*
	KD	*KD*
Construction contract revenue	**35,284,073**	37,511,546
Service revenue	**179,876**	494,749
	35,463,949	38,006,295

4 OTHER INCOME

	2014	*2013*
	KD	*KD*
Technical construction services	**88,795**	27,898
Reversal of liabilities no longer payable	**201,159**	266,409
Sale of scrap	**7,335**	-
Income on write back of provision	**73,063**	79,751
Income arising from collection of insurance claims	**34,840**	154,651
Others	**149,873**	280,323
	555,065	809,032

5 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share amounts are calculated by dividing the (loss) profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding less weighted average number of treasury shares during the year, as follows:

	2014	*2013*
	KD	*KD*
(Loss) profit for the year	**(2,995,086)**	1,500,686
	Shares	*Shares*
Weighted average number of shares outstanding	**282,082,192**	200,000,000
Weighted average number of treasury shares	**(290,000)**	(290,000)
Weighted average number of shares outstanding (net of treasury shares)	**281,792,192**	199,710,000
	fils	*fils*
Basic and diluted (loss) earnings per share	**(10.63)**	7.51

There are no potential diluted shares outstanding as at the reporting date.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings *KD*	*Heavy vehicles and construction equipment* *KD*	*Light equipment and tools* *KD*	*Light vehicles* *KD*	*Office furniture, fixtures and software* *KD*	*Total* *KD*
Cost:						
At 1 January 2014	337,685	15,623,330	2,259,223	1,927,958	2,443,000	22,591,196
Additions	-	22,735	32,790	1,850	21,835	79,210
Disposals	-	(22,301)	(2,800)	(34,077)	(19,003)	(78,181)
Foreign currency translation adjustments	-	168,200	933	10,053	501	179,687
At 31 December 2014	**337,685**	**15,791,964**	**2,290,146**	**1,905,784**	**2,446,333**	**22,771,912**
Depreciation:						
At 1 January 2014	213,555	11,456,569	2,058,285	1,541,569	2,380,121	17,650,099
Charge for the year	19,130	992,236	79,037	93,326	38,164	1,221,893
Disposals	-	(18,137)	(2,800)	(34,077)	(18,732)	(73,746)
Foreign currency translation adjustments	-	143,023	933	10,053	823	154,832
At 31 December 2014	**232,685**	**12,573,691**	**2,135,455**	**1,610,871**	**2,400,376**	**18,953,078**
Net carrying amount:						
At 31 December 2014	**105,000**	**3,218,273**	**154,691**	**294,913**	**45,957**	**3,818,834**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings KD	*Heavy vehicles and construction equipment* KD	*Light equipment and tools* KD	*Light vehicles* KD	*Office furniture, fixtures and software* KD	*Total* KD
Cost:						
At 1 January 2013	337,685	16,850,923	2,075,409	1,695,343	2,446,213	23,405,573
Additions	-	2,608,408	183,736	449,266	19,380	3,260,790
Disposals	-	(3,850,072)	-	(218,942)	(22,736)	(4,091,750)
Foreign currency translation adjustments	-	14,071	78	2,291	143	16,583
At 31 December 2013	337,685	15,623,330	2,259,223	1,927,958	2,443,000	22,591,196
Depreciation:						
At 1 January 2013	194,425	13,681,186	1,971,135	1,682,082	2,363,281	19,892,109
Charge for the year	19,130	1,112,017	87,072	76,138	39,439	1,333,796
Disposals	-	(3,347,250)	-	(218,942)	(22,736)	(3,588,928)
Foreign currency translation adjustments	-	10,616	78	2,291	137	13,122
At 31 December 2013	213,555	11,456,569	2,058,285	1,541,569	2,380,121	17,650,099
Net carrying amount:						
At 31 December 2013	124,130	4,166,761	200,938	386,389	62,879	4,941,097

6 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's buildings are constructed on a leasehold land. The lease period is for 20 years and ends on 10 August 2016, with an option of renewal.

The depreciation is allocated to the operating costs and general and administrative expenses as follows:

	2014	*2013*
	KD	*KD*
Operating costs	**1,069,272**	1,184,500
General and administrative expenses	**152,621**	149,296
	1,221,893	1,333,796

7 INTANGIBLE ASSETS

	Goodwill	***Leasehold rights***	***Total***
	KD	***KD***	***KD***
Cost:			
At 1 January 2014	12,210,952	345,204	12,556,156
Impairment of Goodwill	(400,000)	-	(400,000)
Foreign currency translation adjustments	434,456	-	434,456
At 31 December 2014	**12,245,408**	**345,204**	**12,590,612**
Amortisation:			
At 1 January 2014	-	188,796	188,796
Charge for the year*	-	20,763	20,763
At 31 December 2014	-	**209,559**	**209,559**
Net carrying amount:			
At 31 December 2014	**12,245,408**	**135,645**	**12,381,053**

	Goodwill *KD*	*Leasehold rights* *KD*	*Total* *KD*
Cost:			
At 1 January 2013	12,172,061	345,204	12,517,265
Foreign currency translation adjustments	38,891	-	38,891
At 31 December 2013	12,210,952	345,204	12,556,156
Amortisation:			
At 1 January 2013	-	168,033	168,033
Charge for the year*	-	20,763	20,763
At 31 December 2013	-	188,796	188,796
Net carrying amount:			
At 31 December 2013	12,210,952	156,408	12,367,360

* Amortisation charge is included in general & administrative expenses.

Goodwill has arisen on the acquisition of Al Hamed and Cercon, the cash generating units (the "CGU").

In accordance with IAS 36 "Impairment of assets", the management of the Parent Company has performed an update to its impairment exercise for the goodwill balance amounting to KD 12,245,408, considering the performance outlook and business operations of the cash generating unit (CGU) to assess whether the recoverable amounts of these entities cover its carrying amount. Based on the estimated cash flows, discounted back to their present value using a discount rate that reflects the risk profile, the management concluded that goodwill is impaired to the extent of KD 400,000 as at 31 December 2014 (31 December 2013: KD Nil). The conclusion was reached on the basis of the forecasted cash flows in future years of the acquired entities which was approved by the senior management.

The recoverable amount of the CGU has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The discount rate used is 12.16% (2013: 12.36%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3.45% (2013: 3.45%).

The calculation of value in use for the CGU is sensitive to the following assumptions:
- Revenue growth;
- Discount rate; and
- Projected growth rate used to extrapolate cash flows beyond the budget period.

Revenue Growth:
Revenue growth is based on average values achieved in the two years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

7 INTANGIBLE ASSETS (continued)

Discount rate:
Discount rate is calculated by using the Weighted Average Cost of Capital (WACC). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU.

Projected growth rate:
Assumptions are based on industry research.

Sensitivity to changes in assumptions
Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model does not materially affect the amount of goodwill using less favourable assumptions.

8 LONG TERM RECEIVABLES

	2014	*2013*
	KD	*KD*
Receivable on sale of a subsidiary	**396,150**	1,305,412
Other receivable	**5,300,546**	6,143,840
	5,696,696	7,449,252

	Due within one year	***Due within 1 to 3 years***	***Total***
	KD	***KD***	***KD***
At 31 December 2014	**1,354,350**	**4,342,346**	**5,696,696**
At 31 December 2013	7,449,252	-	7,449,252

Long term receivables represent amounts funded to Mushrif National Construction L.L.C. (MNC) of KD 5,300,546 (31 December 2013: KD 6,143,840) and the consideration for sale of investment in MNC by the Parent Company of KD 396,150 (31 December 2013: KD 1,305,412). As a result of change in ownership of MNC with effect from 1 October 2010, MNC is no longer considered as a related party.

The amounts funded to MNC were originally repayable in seven equal half yearly instalments commencing from April 2011 and a final bullet payment in September 2014. The amounts funded were subject to interest at the rate of 8.5% - 12% per annum. Effective 1 April 2014, the interest rate has been reduced to 4% per annum.

The consideration for sale of investment in MNC was originally recoverable in four equal yearly instalments commencing from 30 September 2011, with final instalment due on 30 September 2014. This was subject to an interest rate of 7% per annum. Effective 1 April 2014, the interest rate has been reduced to 4% per annum.

During the year, the repayment terms of the balance funded to MNC and consideration for sale of investments have been amended. As per revised terms, these amounts will be recovered in instalments commencing from 30 December 2014 and ending on 31 December 2017. Accordingly the Parent Company has recorded a net present value adjustment of long term receivables amounting to KD 100,054 (2013: KD Nil) in the consolidated statement of income.

As at 31 December, the analysis of long-term receivables is as follows:

			Past due but not impaired	
	Total	*Neither past due nor impaired*	*0 – 180 days*	*> 180 days*
	KD	*KD*	*KD*	*KD*
2014	**5,696,696**	**5,696,696**	**-**	**-**
2013	7,449,252	7,060,208	389,044	-

The interest component of these receivables are stated under accounts receivable and other assets and are past due but not .(impaired (Note 9

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2014	*2013*
	KD	*KD*
Accounts receivable – net (see note (a) below)	**6,252,864**	7,801,232
Amount due from customers for contract work – net (see note (b) below)	**38,011,020**	35,769,905
Retention receivable (see note (c) below)	**8,685,056**	7,888,441
Advances to subcontractors and suppliers (see note (d) below)	**3,429,528**	2,085,973
Due from related parties (Note 18) (see note (e) below)	**170,749**	205,861
Claims receivable for performance and advance bond realised on a terminated contract (unrecovered balance) (Note 21)	**-**	2,303,865
Other receivables on a terminated contract (Note 21)	**-**	4,623,156
Accrued interest on long term receivables	**916,198**	1,777,083
Other receivables and prepayments (see note (f) below)	**1,951,874**	2,144,880
	59,417,289	64,600,396

Accounts receivable and other assets include an amount of KD 35,373,489 (2013: KD 23,266,970) which is pledged against interest-bearing loans and borrowings granted by the financial institutions (Note 14).

a) Accounts receivable - net

	2014	*2013*
	KD	*KD*
Accounts receivable – gross	**7,907,120**	9,379,203
Allowance for doubtful debts	**(1,654,256)**	(1,577,971)
As at 31 December	**6,252,864**	7,801,232

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

As of 31 December 2014, accounts receivable amounting to KD 1,654,256 (2013: KD 1,577,971) were impaired and fully provided for. Movement in the allowance for impairment of receivables was as follows:

	2014	*2013*
	KD	*KD*
As at 1 January	**1,577,971**	1,432,580
Charge for the year	**91,970**	225,142
Receivable written off during the year	**(2,570)**	-
Provision written back during the year	**(13,115)**	(79,751)
As at 31 December	**1,654,256**	1,577,971

As at 31 December, the analysis of accounts receivables that were not impaired is as follows:

			Past due but not impaired		
	Total	*Neither past due nor impaired*	*0 – 120 days*	*120- 365 days*	*> 365 days*
	KD	*KD*	*KD*	*KD*	*KD*
2014	**6,252,864**	**1,780,311**	**2,741,901**	**1,098,205**	**632,447**
2013	7,801,232	1,770,347	1,946,694	781,999	3,302,192

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over accounts receivable. Also, included in accounts receivable is an amount of KD Nil (2013: KD 1,648,258) which represents receivable in respect of a contract which was terminated on 18 February 2008 (Note 21).

b) Amount due from customers for contract work

	2014	*2013*
	KD	*KD*
Contract cost to date plus attributable profit less reversals	**67,703,867**	55,990,219
Provision charged during the year	**(1,926,268)**	(1,423,774)
Less: progress billings	**(27,766,579)**	(18,796,540)
	38,011,020	35,769,905

"Amount due from customers for contract work" represents the amount of work done but not yet billed to the customers. Accordingly, the year-end balance of amount due from customers for contract work is not considered due.

During the year, the Group has provided an amount of KD 216,016 (2013: KD 433,099) against certain long outstanding amount due from customers for contract work.

Amount due from customers for contract work includes an amount of KD Nil (2013: KD 5,412,207), which represents additional cost incurred by the Group in respect of a contract which was terminated on 18 February 2008 (Note 21).

c) Retention receivable

Retentions receivable includes an amount of KD Nil (2013: KD 813,491) which represents retention receivable by the Group in respect of a contract which was terminated on 18 February 2008 (Note 21). During the year, the Group has provided an amount of KD Nil (2013: KD 39,890) against retention receivable.

d) Advances to subcontractors and suppliers

During the year, the Group has provided an amount of KD Nil (2013: KD 186,574) against advances to subcontractors and suppliers.

e) Due from related parties

During the year, the Group has provided an amount of KD 10,201 (2013: KD Nil) against due from related parties.

f) Other receivables and prepayments

Other receivables include an amount of KD 880 thousand (2013: KD 880 thousand) which is under legal dispute. During 2009, the Parent Company had purchased certain mechanical pumps (pumps) from a supplier in Saudi Arabia and paid an advance amounting to KD 880 thousand for one of its' projects. However due to certain delays in the project, the Parent Company did not take immediate possession of the pumps. Subsequently, the supplier sold these pumps to a third party without the Parent Company's consent. In 2010, the Parent Company filed a claim (claim) amounting to KD 1.2 million including other related costs and expenses against the supplier with the Board of Grievances, Saudi Arabia (Board) on failure to deliver the pumps and or repayment of the advances.

During the previous year ended 31 December 2013, the claim was partially rejected by the Board stating the pumps belonged to the Parent Company; however the Board did not made the supplier liable for the non-delivery of the pumps or repayment of the advance. Consequently, the management of the Parent Company has appealed against the Board's statement as they are confident that they have the ownership of the pumps and have the full right for the delivery of the pumps or repayment of advance. Accordingly, the management has not created a provision against this amount.

10 CASH AND CASH EQUIVALENTS

	2014	*2013*
	KD	*KD*
Cash and bank balances (including short term deposits)	**8,106,978**	5,702,982
Less: restricted deposits with banks	**(1,951,031)**	(2,048,589)
Cash and cash equivalents	**6,155,947**	3,654,393

Restricted deposits with banks represent blocked funds for the purpose of availing credit facilities from banks.

The short term-deposits carry an average rate of interest of 1% - 2% (31 December 2013: 1% - 2%) per annum and have an original maturity period of 3 months from the date of investment.

11 SHARE CAPITAL, DIVIDENDS AND ANNUAL GENERAL ASSEMBLY

Authorised share capital consists of 400,000,000 shares (31 December 2013: 400,000,000 shares).

Issued and paid-up capital consists of 307,000,000 shares (31 December 2013: 200,000,000 shares) of 100 fils (31 December 2013: 100 fils) per share, which is fully paid in cash.

The Board of Directors of the Parent Company proposed not to distribute cash dividends or bonus shares for the year ended 31 December 2014 (2013: Nil). This proposal is subject to approval by the Shareholders' Annual General Assembly.

The consolidated financial statements of the Group for the year ended 31 December 2013 and the proposal of the Board of Directors of the Parent Company not to distribute cash dividends or bonus shares for the year ended 31 December 2013 was approved by the shareholders in the Annual General Meeting held on 21 May 2014.

On 26 September 2012, the Board of Directors of the Parent Company proposed to increase the capital by KD 20 million through rights issue with an option of pre-emptive rights being waived off by the existing shareholders which was subsequently approved by the shareholders of the Parent Company on 7 November 2012 and subject to the regulators' approval. On 26 March 2014, the Parent Company allotted 107,000,000 shares at par value of 100 fils per share amounting to KD 10.7 million after obtaining the final approval from the regulators for the issuance of capital increase.

12 TREASURY SHARES

	2014	*2013*
Number of treasury shares (shares)	**290,000**	290,000
Percentage of issued shares	**0.09%**	0.15%
Market value (KD)	**17,980**	31,320
Cost of treasury shares	**214,336**	214,336
Weighted average market value per treasury share (fils)	**95**	114

The balance in the treasury share reserve amounting to KD 22,313 (2013: KD 22,313) is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from the reserves throughout the holding period of these treasury shares.

13 RESERVES

(a) Statutory reserve

In accordance with the Companies Law No. 25 of 2012, and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat and NLST should be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. During the current year, the Board of Directors has not transferred any amount to the statutory reserve on account of the losses incurred in the current year.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

(b) Voluntary reserve

In accordance with the Parent Company's Articles of Association, as amended, 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration should be transferred to the voluntary reserve subject to Board of Directors' approval. During the current year, the Board of Directors' has resolved not to make any transfer to voluntary reserve.

14 INTEREST-BEARING LOANS AND BORROWINGS

	2014	*2013*
	KD	*KD*
Current		
Notes payable	**7,159,423**	6,137,326
Interest-bearing loans *	**14,382,086**	4,486,180
Bank overdraft	**1,170,264**	931,839
Total current portion of interest-bearing loans and borrowings	**22,711,773**	11,555,345

	2014	*2013*
	KD	*KD*
Non-Current		
Interest-bearing loan *	**1,039,437**	19,067,220
Total interest-bearing loans and borrowings	**23,751,210**	30,622,565

* Interest bearing loans includes loan from a shareholder ("lender"), denominated in USD, amounting to KD 8,286,853 as at 31 Dec 2014 (2013: KD 16,683,486).

14 INTEREST-BEARING LOANS AND BORROWINGS (continued)

The interest-bearing loans and borrowings (excluding the interest-bearing loan from the lender) carry floating interest rates. The weighted average effective interest rate of these interest-bearing loans and borrowings is 4.85% per annum (31 December 2013: 4.69% per annum).

During the current year, management entered into a memorandum of understanding with the lender to cease charging interest on the remaining loan effective from 1 April 2014. As per the memorandum the outstanding interest-bearing loan from the lender is to be settled in the first half of the financial year ending 31 December 2015 and accordingly has been classified as current in the consolidated financial statements as at the reporting date. Prior to this date, interest-bearing loan from the lender carried fixed interest rates ranging from 8.5% to 12% per annum (31 December 2013: 8.5% to 12% per annum).

Interest-bearing loans and borrowings (excluding the interest-bearing loan from the shareholder, notes payable and bank overdrafts) amounting to KD 7,134,670 (31 December 2013: KD 6,869,914) are secured by part of the amounts due in respect of construction contracts and retentions receivable (Note 9).

Interest-bearing loans and borrowings are denominated in the following currencies:

	2014	*2013*
	KD	*KD*
Kuwaiti Dinars	**15,464,357**	13,939,079
US Dollars	**8,286,853**	16,683,486
	23,751,210	30,622,565

15 MURABAHA PAYABLE

During the current year, the Parent Company has settled the outstanding Murabaha payable to a related party ("financier") amounting to KD 2,987,445 (2013: KD Nil) by a cash payment of KD 1,716,098 (2013: KD Nil), therefore availing a discount on settlement amounting to KD 1,271,347 (2013: KD Nil). This discount has been recognized as a gain in the consolidated statement of income.

16 EMPLOYEES' END OF SERVICE BENEFITS

	2014	*2013*
	KD	*KD*
As at 1 January	**2,174,920**	1,976,760
Provided during the year*	**467,929**	366,739
End of service benefits paid	**(181,579)**	(168,791)
Foreign currency translation adjustments	**(10,580)**	212
As at 31 December	**2,450,690**	2,174,920

* This amount is included within general & administrative expenses.

17 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2014	*2013*
	KD	*KD*
Trade accounts payable	**4,861,232**	7,861,450
Retention payables	**4,009,934**	3,608,045
Advances from customers	**8,458,545**	7,860,134
Due to subcontractors	**92,064**	-
Due to related parties (Note 18)	**126,601**	127,151
Provision for foreseeable losses (see note (b) below)	**12,679**	849,494
Accrued expenses	**7,009,462**	8,459,271
Staff payables	**148,972**	204,825
Other payables	**1,004,886**	1,165,008
	25,724,375	30,135,378

a) Provision for foreseeable losses

	2014	*2013*
	KD	*KD*
As at 1 January	**849,494**	57,439
Charge for the year*	-	846,249
Amount adjusted against related project costs incurred during the year	**(836,815)**	(54,372)
Foreign currency translation adjustments	-	178
As at 31 December	**12,679**	849,494

* Provision for foreseeable losses, net of reversal is recognised as part of the operating costs.

During the previous year, there was a reduction in the contract price of one of the contracts from KD 17.75 million to KD 16.89 million, on account of a reduction in the scope of work by the customer during the year. Accordingly, the Company concluded that the contract was onerous and accordingly provided an amount of KD 846,249 for foreseeable losses (net of recovery of losses recognized in previous periods) in the previous year.

18 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

18 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties included in the consolidated statement of income during the year are as follows:

	Major Shareholder	*Other related parties*	***2014 Total***	*2013 Total*
	KD	*KD*	***KD***	*KD*
Murabaha charges	-	-	-	34,796
Finance costs	286,808	-	**286,808**	-
Allowance for doubtful debts (Note 9)	-	10,201	**10,201**	
Discount on settlement of Murabaha payable (Note 15)	-	1,271,347	**1,271,347**	-

Balances with related parties included in the consolidated statement of financial position are as follows:

	Major Shareholder	*Other related parties*	***2014 Total***	*2013 Total*
	KD	*KD*	***KD***	*KD*
Due from related parties (Note 9)	-	170,749	170,749	205,861
Interest bearing loans (Note 14)	8,286,853	-	8,286,853	-
Murabaha payable (Note 15)	-	-	-	2,987,445
Due to related parties (Note 17)	-	126,601	126,601	127,151

Compensation of key management personnel

The remuneration of executive directors and other members of key management during the year is as follows:

	2014	*2013*
	KD	*KD*
Salaries and other short term benefits	**214,323**	214,323
Employees' end of service benefits	**16,200**	16,200
	230,523	230,523

19 SEGMENT INFORMATION

For management purposes, the Group is organised into four main geographical segments based on internal reporting provided to the chief operating decision maker which are as follows:

- First segment is Kuwait and is represented by the Parent Company (Kuwait operations), Foundmar for Foundation Marine Work and Contracting Company W.L.L., CRT General Trading and Contracting W.L.L., Oil Tech General Trading and Contracting W.L.L. and a joint venture.
- Second segment is Qatar and is represented by the Qatar branch of the Parent Company.
- Third segment is United Arab Emirates and is represented by AL Hamed General Transport L.L.C. and Cercon Civil Construction L.L.C.
- Fourth segment represents other subsidiaries, joint ventures and branches of the Parent Company.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables present the revenue and results of the Group's operating segments for the year ended 31 December 2014 and 31 December 2013, respectively:

For the year ended 31 December 2014

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Inter-segmental eliminations*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
Segment revenues	**31,247,632**	**36,318**	**4,179,999**	**-**	**-**	**35,463,949**
Segment results	**2,233,115**	**(5,666,347)**	**472,578**	**(34,432)**	**-**	**(2,995,086)**
Unallocated expenses, taxation						**-**
Loss for the year						**(2,995,086)**

19 SEGMENT INFORMATION (continued)

For the year ended 31 December 2013

	Kuwait KD	*Qatar KD*	*United Arab Emirates KD*	*Others KD*	*Inter-segmental eliminations KD*	*Total KD*
Segment revenues	33,488,891	211,389	5,911,096	-	(1,605,081)	38,006,295
Segment results	2,947,656	(2,705,685)	1,464,644	(98,451)	-	1,608,164
Unallocated expenses, taxation						(107,478)
Profit for the year						1,500,686

Year ended 31 December 2014

	Kuwait KD	***Qatar KD***	***United Arab Emirates KD***	***Others KD***	***Inter-segmental eliminations KD***	***Total KD***
Other segmental information:						
Finance costs	**(751,779)**	**(1,278,982)**	**(286,808)**	**-**	**1,258,204**	**(1,059,365)**
Murabaha costs	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	**(868,755)**	**(4,492)**	**(348,611)**	**(35)**	**-**	**(1,221,893)**
Amortisation	**(20,763)**	**-**	**-**	**-**	**-**	**(20,763)**
Discount on settlement of Murabaha payable	**1,271,347**	**-**	**-**	**-**	**-**	**1,271,347**
Impairment of receivables and expenses relating to a terminated contract	**-**	**(3,983,510)**	**-**	**-**	**-**	**(3,983,510)**
Property, plant and equipment	**3,236,509**	**479**	**581,696**	**150**	**-**	**3,818,834**
Intangible assets	**12,381,053**	**-**	**-**	**-**	**-**	**12,381,053**

Year ended 31 December 2013

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Inter-segmental eliminations*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
Other segmental information:						
Finance costs	(554,444)	(1,512,749)	(1,141,169)	-	1,499,764	(1,708,598)
Murabaha costs	(34,796)	-	-	-	-	(34,796)
Depreciation	(965,908)	(10,814)	(356,978)	(96)	-	(1,333,796)
Amortisation	(20,763)	-	-	-	-	(20,763)
Discount on settlement of Murabaha payable	-	-	-	-	-	-
Impairment of receivables and expenses relating to a terminated contract	-	-	-	-	-	-
Property, plant and equipment	4,026,054	9,292	905,236	515	-	4,941,097
Intangible assets	12,367,360	-	-	-	-	12,367,360

The following table presents the segment assets of the Group's operating segments:

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Inter-segmental eliminations*	*Total*
Segment assets	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
At 31 December 2014	**91,735,363**	**3,896,580**	**18,397,782**	**221,760**	**(23,436,947)**	**90,814,538**
At 31 December 2013	85,448,885	20,392,682	24,204,768	568,370	(34,091,218)	96,523,487

The following table presents the segment liabilities of the Group's operating segments:

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Inter-segmental eliminations*	*Total*
Segment liabilities	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
At 31 December 2014	**49,387,124**	**26,348,610**	**12,681,184**	**460,857**	**(36,951,500)**	**51,926,275**
At 31 December 2013	56,380,665	36,417,210	19,060,048	1,137,673	(47,075,288)	65,920,308

20 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets

An amount of KD 427,080 (2013: KD 427,080) was approved by the Public Authority for Assessment of Compensation for Damages resulting from Iraqi aggression. As at the reporting date, an amount of KD 304,514 (2013: KD 304,514) was received resulting in an outstanding amount of KD 122,566 (2013: KD 122,566).

Contingent liabilities

In the ordinary course of business, the Group has credit-related commitments which include commitments to extend credit, standby letters of credit and guarantees amounting to KD 54,759,189 (2013: KD 63,755,470) as of 31 December 2014.

The table below shows the contractual expiry by maturity of the Group's contingent liabilities & commitments.

	Less than 1 month	*Less than 3 months*	*3 to 12 Months*	*1 to 5 years*	*Total*
2014					
Letters of guarantee	**2,571,551**	**9,937,001**	**9,173,514**	**29,230,583**	**50,912,649**
Letter of credit	**326,968**	**2,347,533**	**848,039**	**324,000**	**3,846,540**
Total	**2,898,519**	**12,284,534**	**10,021,553**	**29,554,583**	**54,759,189**
2013					
Letters of guarantee	4,360,000	7,634,792	20,536,361	31,224,317	63,755,470
Letter of credit	581,899	556,591	382,171	-	1,520,661
Total	4,941,899	8,191,383	20,918,532	31,224,317	65,276,131

The Parent Company has given corporate guarantees on behalf of Mushrif National Construction L.L.C. (MNC) amounting to KD 2,164,344 as of 31 December 2014 (2013: KD 2,164,344) with a maturity of one to five years.

The Group expects that none of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Group is also involved in various claims and legal proceedings including employee compensation and contractor disputes. The legal counsel of the Group believes that such claims will not have a material adverse effect on the consolidated financial statements.

21 TERMINATION OF CONTRACTS

On 18 February 2008, the main contractor (the 'customer') terminated a construction subcontract with one of the branches of the Parent Company. The contract was terminated by the customer following the issuance of a default notice on 13 January 2008. Accordingly, the management of the Parent Company filed a claim, for unlawful breach of contract against the customer and the matter was referred to the ICC's International Court of Arbitration (the 'Arbitration').

On 17 March 2014, a favorable ruling was awarded to the Group by the Arbitration, stating that the termination of the contract by the customer was unlawful, and the customer has been ordered to pay an amount equivalent to KD 11.6 million which includes KD 6 million for works contracted including damages, KD 3.5 million as interest and KD 2.1 million as reimbursement of legal and arbitration costs incurred by the Group. Further, the Arbitration ruling states that the interest will continue to accrue at the rate of 8.5% per annum compounded monthly until the customer fully pays the principal amount. All the customer's counter claims has been dismissed with prejudice by the Arbitration.

The Group has received the awarded amount of KD 11.6 million from the customer on 3 April 2014. Accordingly, during the current year, the management has expensed the difference between the amount awarded and the amount recorded in the books of the Group amounting to KD 3.9 million under impairment of receivables relating to a terminated contract which included legal expenses capitalized relating to the terminated contract amounting to KD 3.3 million.

As at 31 December, the net amounts due from the customer on the disputed contract, recorded in the books of the Group are as follows:

	2014	*2013*
	KD	*KD*
Accounts receivable (Note 9)	-	1,648,258
Gross amount due from customers for contract work (Note 9)	-	5,412,207
Retention receivables (Note 9)	-	813,491
Unrecovered balance of performance and advance bonds realised (Note 9)	-	2,303,865
Other receivables (Note 9)	-	4,623,156
	-	14,800,977

22 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group's principal financial liabilities comprise interest-bearing loans and borrowings, murabaha payables, accounts payable and financial guarantees. The main purpose of these financial liabilities is to raise finance for the Group's operations and provide guarantees to support its operations. The Group has long term receivables, accounts receivable and bank balance that arrive directly from its operations.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

22 RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents, long term receivables, accounts receivables and credit exposures to construction customers.

The Group assesses the credit quality of the customers, taking into account financial position and past experiences. In addition, the credit exposures are monitored on an ongoing basis. Credit risk with respect to receivables is limited as the Group's major contract owners are government bodies and other credit worthy entities.

The Group seeks to limit its credit risk with respect to cash and cash equivalents by only dealing with reputable financial institutions. With respect to credit risk arising from the other financial assets of the Group including long term receivables, accounts receivables and credit exposures to construction customers, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of any collateral and other credit enhancements i.e. credit risk mitigation except for financial guarantees (note 20).

	2014	*2013*
	KD	*KD*
Long term receivables	**5,696,696**	7,449,252
Accounts receivables	**6,252,864**	7,801,232
Retention receivable	**8,685,056**	7,888,441
Due from related parties	**170,749**	205,861
Claims receivable for performance and advance bond realised on a terminated contract (unrecovered balance)	**-**	2,303,865
Other receivables on terminated contract	**-**	4,623,156
Accrued interest on long term receivables	**916,198**	1,777,083
Other receivables (excluding prepayments)	**1,818,602**	1,746,518
Bank balances	**8,080,214**	5,659,247
Total	**31,620,379**	39,454,655

The Group evaluates the concentration of risk with respect to accounts receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. The Group's largest customers are sovereign entities.

Collateral and other credit enhancements

The amount and type of collateral are based on the contractual arrangements with the lenders. The main type of collateral accepted includes assignment of receivables and pledge of shares, which are only against long term receivables. Management monitors the collaterals on an ongoing basis in accordance with the underlying agreement with the lenders.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and short term deposits. To manage this risk, the Group periodically assesses the financial viability of its customers and ensures that adequate funding facilities are available from its lenders.

Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not considered to be significant.

Financial liabilities	***On demand KD***	***Less than 1 month KD***	***1 to 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
2014						
Interest- bearing loans and borrowings	**1,170,264**	**1,811,710**	**2,440,279**	**17,289,520**	**1,039,437**	**23,751,210**
Murabaha payable	-	-	-	-	-	-
Accounts payable and accruals*	**126,601**	**8,732,232**	**3,308,162**	**5,098,835**	**2,450,690**	**19,716,520**
Total financial liabilities	**1,296,865**	**10,543,942**	**5,748,441**	**22,388,355**	**3,490,127**	**43,467,730**

Financial liabilities	*On demand KD*	*Less than 1 month KD*	*1 to 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
2013						
Interest- bearing loans and borrowings	931,839	1,002,554	2,901,352	6,719,600	19,067,220	30,622,565
Murabaha payable	-	-	-	-	2,987,445	2,987,445
Accounts payable and accruals*	127,151	9,923,005	4,839,564	7,385,524	2,174,920	24,450,164
Total financial liabilities	1,058,990	10,925,559	7,740,916	14,105,124	24,229,585	58,060,174

22 RISK MANAGEMENT (continued)

*Accounts payable and other liabilities exclude advances from customers.

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates and foreign exchange rates. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industrial concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by the finance department of the Parent Company. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The interest rates are disclosed in Note 14 and Note 15.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value risk. As of 31 December 2014, the Group does not have borrowings from banks with fixed interest rate, accordingly the Group is not exposed to fair value risk arising from changes in interest rates.

The Group's manages its interest rate risk by availing competitive credit facilities from the local financial institutions and constantly monitoring interest rate fluctuations.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	100 basis points movement *Effect on profit before KFAS, NLST and Zakat*	
	2014 ***KD***	*2013* *KD*
Kuwaiti Dinars	**29,951**	23,687

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit before contribution to KFAS, NLST and Zakat for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2014. There is no impact on other comprehensive income.

Foreign currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the Kuwaiti Dinar.

The Group operates regionally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Qatari Riyal and UAE Dirham.

Foreign exchange risk arises from future commercial transactions on recognised assets and liabilities as of the reporting date.

The Group has certain balances in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through monitoring fluctuations of foreign currencies on an ongoing basis. The Group is reducing its exposure to such currency fluctuations by hedging future needs of currency for future periods when this is required.

The table below indicates the Group's foreign currency exposure at 31 December as a result of its monetary assets and monetary liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive monetary assets and monetary liabilities).

The effect on profit before contribution to KFAS, NLST and Zakat (due to change in the fair value of monetary assets and monetary liabilities) and on other comprehensive income, as a result of changes in major currency rates, with all other variables held constant is shown below:

	Change in currency rate by (+/-) 5 %			
	Effect on other comprehensive income (+/-)		*Effect on profit before KFAS, NLST and Zakat (+/-)*	
	2014 KD	*2013 KD*	***2014 KD***	*2013 KD*
US Dollar	**-**	1,734	**-**	63,694
Qatari Riyal	**41,645**	3,582	**283,317**	135,284
UAE Dirham	**8,323**	1,399	**23,629**	73,232

23 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Parent Company has allotted 107,000,000 shares at par value of 100 fils per share amounting to KD 10.7 million after obtaining the final approval from the regulators for the issuance of capital increase. which is disclosed in Note 11.

The Group monitors its capital risk management through gearing ratio, which is net debt divided by total capital. The Group includes within net debt, interest-bearing loans and borrowings and murabaha payable less cash and cash equivalents.

23 CAPITAL MANAGEMENT (continued)

	2014	*2013*
	KD	*KD*
Interest-bearing loans and borrowings (Note 14)	**23,751,210**	30,622,565
Murabaha payable (Note 15)	-	2,987,445
	23,751,210	33,610,010
Less: cash and cash equivalents (Note 10)	**(6,155,947)**	(3,654,393)
Net debt	**17,595,263**	29,955,617
Equity	**38,888,263**	30,603,179
Gearing ratio	**0.45**	0.98

24 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Financial instruments:

Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Note 2: Significant Accounting Policies.

For other financial assets and financial liabilities, the carrying value is not significantly different from their fair values as at the reporting date.

ANNUAL REPORT
2014

www.mushrif.com

Kuwait | Qatar | United Arab Emirates