



- Stock Code : **635**

Interim Financial Statements

{ True Copy Of The Original }

Third Quarter Report 2014

First Quarter
31/03/2014

Second Quarter
30/06/2014

Third Quarter
30/09/2014

Fourth Quarter
31/12/2014

**COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC)
AND SUBSIDIARIES
STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
(UNAUDITED)**

**WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC)
AND SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
Combined Group Contracting Company - K.S.C. (Public)
State of Kuwait

Introduction

We have reviewed the accompanying Interim Condensed Consolidated statement of financial position of Combined Group Contracting Company - K.S.C. (Public) (the Parent Company) and subsidiaries (the Group) as of September 30, 2014 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

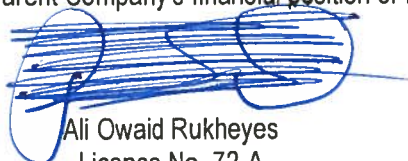
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim consolidated financial information Performed by the Independent Auditor of the Company." A review of interim consolidated financial information consists of making inquiries, primarily of persons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

Conclusion

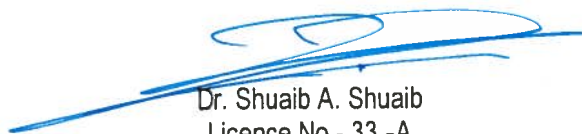
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review the interim consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law of 2012, its amendments and executive regulations, Memorandum of Incorporation or Articles of Association for the Parent Company during the period ended September 30, 2014 that might have had a material effect on the Parent Company's financial position or results of its operations.



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

State of Kuwait
November 11, 2014

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF SEPTEMBER 30, 2014
 (All amounts are in Kuwaiti Dinars)


	Note	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
ASSETS				
Non current assets:				
Fixed assets		19,207,181	18,031,306	18,656,561
Investment properties	3	2,465,013	2,208,735	2,217,667
Investments in unconsolidated subsidiaries		93,001	93,001	93,001
Investment available for sale		700,000	700,000	700,000
Right of utilization of leasehold land		95,292	101,479	103,542
Contract retentions		18,253,486	13,895,981	17,043,101
Total non current assets:		40,813,973	35,030,502	38,813,872
Current assets:				
Materials in sites		32,479,955	31,625,855	31,823,760
Gross amount due from customers for contract work		49,886,066	39,620,957	41,825,885
Accounts receivable and other debit balances		94,560,570	68,231,992	55,110,552
Investments at fair value through profit or loss		3,427,012	2,788,692	2,771,409
Term deposits	4	280,000	280,000	280,000
Cash and cash equivalents	5	19,007,152	15,461,305	2,603,929
Total current assets		199,640,755	158,008,801	134,415,535
Total assets		240,454,728	193,039,303	173,229,407
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Share capital	6	11,160,834	10,629,366	10,629,366
Treasury shares	7	(64,374)	(64,374)	(64,374)
Treasury shares reserve		1,266,488	1,266,488	1,266,488
Statutory reserve		5,314,683	5,314,683	5,314,683
Voluntary reserve		1,817,340	1,817,340	1,817,340
Foreign currency translation adjustments		64,973	(26,831)	(50,934)
Retained earnings		20,477,107	21,168,634	19,702,413
Equity attributable to shareholders of the Parent Company		40,037,051	40,105,306	38,614,982
Non - controlling interests		3,094,670	2,318,739	2,337,576
Total shareholders' equity		43,131,721	42,424,045	40,952,558
Non current liabilities:				
Accounts payable and other credit balances		14,882,765	16,758,486	16,830,806
Long term loans	8	2,301,272	2,352,646	2,186,269
Ijara and Murabaha facilities	9	1,630,393	-	-
Provision for end of service indemnity		7,543,542	6,640,289	6,823,664
Total non current liabilities		26,357,972	25,751,421	25,840,739
Current liabilities:				
Gross amount due to customers for contract work		555,278	306,756	-
Accounts payable and other credit balances		131,010,760	84,258,339	68,671,818
Long term loans	8	1,677,744	2,380,627	2,594,944
Ijara and Murabaha facilities	9	767,232	-	-
Obligations for finance lease		1,606,550	1,289,950	1,289,950
Short-term loans and credit facilities	10	24,959,482	27,596,211	23,903,612
Due to banks	11	10,387,989	9,031,954	9,975,786
Total current liabilities		170,965,035	124,863,837	106,436,110
Total shareholders' equity and liabilities		240,454,728	193,039,303	173,229,407

The accompanying notes from (1) to (20) form an integral part of the interim consolidated financial information

Abdul Rahman M. Al-Marouf
Chairman



Raad Khair Al Abdullah
Vice Chairman



COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
Operating revenues		45,766,296	31,697,869	132,417,339	109,357,849
Operating Costs		(41,376,412)	(29,374,837)	(122,300,570)	(98,801,331)
Gross profit	12	4,389,884	2,323,032	10,116,769	10,556,518
Other income (loss)	13	184,898	(344,412)	1,184,156	6,470
Gain on sale of investment property	3	-	-	83,100	-
General and administrative expenses		(2,150,839)	(2,054,203)	(5,562,604)	(5,428,399)
Net investment income		184,710	98,366	609,352	465,145
Depreciation and amortization		(211,934)	(166,072)	(626,829)	(479,131)
Finance charges		(492,356)	(390,283)	(1,288,436)	(1,044,358)
Profit (loss) for the period before contribution to Kuwait Foundation for the Advancement of Sciences and National Labor Support Tax and contribution to Zakat		1,904,363	(533,572)	4,515,508	4,076,245
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(15,699)	(20,140)	(37,396)	(60,420)
National Labor Support Tax (NLST)		(46,014)	(37,582)	(103,910)	(112,746)
Contribution to Zakat		(18,406)	(15,034)	(41,564)	(45,100)
Net profit (loss) for the period		<u>1,824,244</u>	<u>(606,328)</u>	<u>4,332,638</u>	<u>3,857,979</u>
Attributable to:					
Shareholders of the Parent Company		1,489,722	(676,265)	3,556,707	3,206,188
Non - controlling interests		334,522	69,937	775,931	651,791
		<u>1,824,244</u>	<u>(606,328)</u>	<u>4,332,638</u>	<u>3,857,979</u>
Earnings (loss) per share attributable to shareholders of the Parent Company (fils)	14	<u>13.36</u>	<u>(6.06)</u>	<u>31.89</u>	<u>28.75</u>

The accompanying notes from (1) to (20) form an integral part of the interim consolidated financial information

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
 (All amounts are in Kuwaiti Dinars)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net profit (loss) for the period	<u>1,824,244</u>	<u>(606,328)</u>	<u>4,332,638</u>	<u>3,857,979</u>
Other comprehensive income :				
<u>Items that may be reclassified subsequently to</u>				
<u>profit or loss</u>				
Foreign currency translation adjustments	<u>123,979</u>	<u>17,667</u>	<u>91,804</u>	<u>39,916</u>
Other comprehensive income for the period	<u>123,979</u>	<u>17,667</u>	<u>91,804</u>	<u>39,916</u>
Total comprehensive income (loss) for the period	<u>1,948,223</u>	<u>(588,661)</u>	<u>4,424,442</u>	<u>3,897,895</u>
Attributable to:				
Shareholders of the Parent Company	<u>1,613,701</u>	<u>(658,598)</u>	<u>3,648,511</u>	<u>3,246,104</u>
Non-controlling interests	<u>334,522</u>	<u>69,937</u>	<u>775,931</u>	<u>651,791</u>
Total comprehensive income (loss) for the period	<u>1,948,223</u>	<u>(588,661)</u>	<u>4,424,442</u>	<u>3,897,895</u>

The accompanying notes from (1) to (20) form an integral part of the interim consolidated financial information.

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
 (All amounts are in Kuwaiti Dinars)

	Attributable to shareholders of the Parent Company									
	Share Capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Foreign currency translation Adjustments	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at December 31, 2013	10,629,366	(64,374)	1,266,488	5,314,683	1,817,340	(26,831)	21,168,634	40,105,306	2,318,739	42,424,045
Total comprehensive income for the period	-	-	-	-	-	91,804	3,556,707	3,648,511	775,931	4,424,442
Cash dividends 2013 (35 fils per share)	-	-	-	-	-	-	(3,716,766)	(3,716,766)	-	(3,716,766)
- (Note 15)	531,468	-	-	-	-	-	(531,468)	-	-	-
Bonus shares 2013 (5%) - (Note 15)	11,160,834	(64,374)	1,266,488	5,314,683	1,817,340	64,973	20,477,107	40,037,051	3,094,670	43,131,721
Balance at September 30, 2014	10,629,366	(64,374)	1,266,488	5,314,683	1,817,340	(90,850)	23,929,756	42,802,409	1,685,785	44,488,194
Total comprehensive income for the period	-	-	-	-	-	39,916	3,206,188	3,246,104	651,791	3,897,895
Cash dividends 2012(70 fils per share)	-	-	-	-	-	-	(7,433,531)	(7,433,531)	-	(7,433,531)
- (Note 15)	10,629,366	(64,374)	1,266,488	5,314,683	1,817,340	(50,934)	19,702,413	38,614,982	2,337,576	40,952,558
Balance at September 30, 2013										

The accompanying notes from (1) to (20) form an integral part of the interim consolidated financial information

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
(All amounts are in Kuwaiti Dinars)

	Nine months ended September 30,	
	2014	2013
Cash flows from operating activities		
Profit for the period before contribution to KAFS and NLST and contribution to Zakat	4,515,508	4,076,245
Adjustments for:		
Gain on sale of fixed assets	(358,481)	(252,181)
Interest income	(5,297)	(30,273)
Net Investment income	(609,352)	(465,145)
Gain on sale of investment property	(83,100)	-
Depreciation and amortization	4,685,507	3,616,321
Finance charges	1,288,436	1,044,358
Provision for end of service indemnity	1,244,882	1,032,114
	<u>10,678,103</u>	<u>9,021,439</u>
Changes in operating assets and liabilities:		
Materials in sites	(854,100)	(10,347,159)
Gross amount due from / to customers for contract work	(10,016,587)	(5,210,759)
Accounts receivable and other debit balances	(30,594,279)	8,261,397
Accounts payable and other credit balances	44,884,769	(9,185,839)
Cash generated from (used in) operations activities	<u>14,097,906</u>	<u>(7,460,921)</u>
Paid for Kuwait Foundation for the Advancement of Sciences	(36,035)	(100,686)
Paid for National Labor Support Tax	(138,776)	(291,892)
Paid for Zakat	(16,128)	(108,751)
Paid for end of service indemnity	(341,629)	(473,112)
Net cash generated from (used in) operating	<u>13,565,338</u>	<u>(8,435,362)</u>
Cash flows from investing activities		
Paid for purchase of Investment properties	(1,780,000)	(930,000)
Paid for purchase of fixed assets	(7,785,683)	(4,856,163)
Paid for purchase of investments at fair value through profit or loss	(28,968)	-
Proceeds from sale of fixed assets	2,300,791	296,001
Proceeds from sale of investment property	1,595,000	-
Interest income received	5,297	30,273
Net cash used in investing activities	<u>(5,693,563)</u>	<u>(5,459,889)</u>
Cash flows from financing activities		
Finance charges paid	(1,288,436)	(1,044,358)
Cash dividends paid	(3,716,766)	(7,433,531)
Net movement on long term loans	(754,257)	(4,058,540)
Net movement on short term loans and credit facilities	(2,636,729)	14,270,852
Net movement on Ijara and Murabaha facilities	2,397,625	-
Net movement on obligations for finance lease	316,600	-
Net movement on due to banks	1,356,035	1,170,415
Net cash (used in) generated from financing activities	<u>(4,325,928)</u>	<u>2,904,838</u>
Net increase (decrease) in cash and cash equivalents	<u>3,545,847</u>	<u>(10,990,413)</u>
Cash and cash equivalents at beginning of the period	15,461,305	13,594,342
Cash and cash equivalents at end of the period (Note 5)	<u>19,007,152</u>	<u>2,603,929</u>

The accompanying notes from (1) to (20) form an integral part of the interim consolidated financial information

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2014

(All amounts are in Kuwaiti Dinars)

1. Incorporation and objectives of the Parent Company

The Combined Group Trading and Contracting Company - Suleiman Khaled Abdul-Latif Al-Hamad and Partners was incorporated pursuant to an Articles of Incorporation of a Limited Liability Company, duly authenticated at the Ministry of Justice - Department of Real Estate Registration and Documentation under Ref. No. 215/B/Vol.4 on November 15, 1965.

According to a Limited Liability Company amendment Articles of Association, authenticated at the Ministry of Justice - Department of Real Estate Registration and Documentation under Ref. No. 6218/Vol.1 dated September 19, 2005, the following was considered:

1. Transfer the legal entity of Combined Group Trading and Contracting Company - Suleiman Khaled Abdul-Latif Al-Hamad and Partners – W.L.L. to Kuwaiti Shareholding Company- K.S.C. (Closed).
2. According to Article No.(2) of the amendment Articles of Association; the Company's name become: "Combined Group Contracting Company - K.S.C. (Closed)" (previously Combined Group Trading and Contracting Company – Suleiman Khaled Abdul-Latif Al-Hamad and Partners .W.L.L.).

As per the issued letter from the Department of Shareholding Companies No.363 dated June 16, 2014 and as per the Extraordinary General Assembly meeting held on May 11, 2014 the following have been approved:

1. Approval by increasing the Company's capital from KD 10,629,366 to KD 11,160,834 which amounted to KD 531,468 through the distribution of free bonus shares equal to 5,314,683 shares with the percentage of 5% of the Company capital by 5 shares for every 100 shares, to be allocated to the existing shareholders in the Parent Company's records on the date of the General Assembly Meeting.
2. Amended Articles No. (5) from the Article of Association and article No. (6) from Article of Incorporation of the Parent Company to be the following: "The Company's Capital is KD 11,160,834 distributed over 111,608,343 shares with value of 100 fils for share and all shares are in kind and in cash" (Note 6).

The Parent Company is registered in the commercial register under Ref. No. 13595 dated September 19, 2005.

The Parent Company had been listed in Kuwait Stock Exchange Market since January 23, 2006.

The main objectives for which the Parent Company was established are as follows:

- Carry out general contracting, mechanical works, healthy engineering works, constructions works of building, ways, bridges and managing, controlling them and their related works.
- Manufacturing, producing and importing of various building materials (after the approval of Public Authority for Industry).
- Trading, packing and packaging cement, sand and related materials.
- Ready-mix works.
- Manufacturing and executing the dye works and decorations those are necessary to execute the civil works (after the approval of Public Authority for Industry).
- Asphalt production.
- Purchasing and importing the equipments and tools that are necessary to execute the Parent Company objectives.
- Owning the transportation intermediaries that are necessary for the Parent Company activities.
- Representation of the companies and enter tenders that have similar purposes.
- Investing the excess funds available with the Parent Company in portfolios and funds managed by specialized companies.

The Parent company may perform directly all of the above activities inside and outside the State of Kuwait, or through agents on its behalf. The Parent company may have an interest or participation in entities of similar activities which could assist the Parent company in achieving its objectives inside and outside the State of Kuwait, or may also acquire, participate or append such entities.

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2014
(All amounts are in Kuwaiti Dinars)

The registered Parent Company's address is P.O. Box 4819 Safat, 13049 State of Kuwait and located in Ardiya area, Block No. 2, building No. 284.

The Companies Law issued on November 26, 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on March 27, 2013 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulation of the new amended law was issued on September 29, 2013 and was published in the official Gazette on October 6, 2013. As per article three of the executive regulation, the companies have one year from the date of publishing the executive regulation to comply with the new amended law.

The interim consolidated financial information was authorized for issue by the Board of Directors of the Parent Company on November 11, 2014.

2. Basis of preparation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2013, except for the implementation of the following standards which are effective January 1, 2014.

Amendments to IAS 32 offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". These are effective for annual periods beginning on or after January 1, 2014.

Amendments to IFRS 10, IFRS 12 Investment Entities.

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2014.

These amendments or standards have no material impact on the interim consolidated financial information.

Standards and interpretations issued but not effective

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

IFRS 9 Financial Instruments:

The standard, which was earlier effective for annual periods beginning on or after January 1, 2015 and now deferred specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

This standard is not expected to have any material impact on the interim consolidated financial statements.

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2014

(All amounts are in Kuwaiti Dinars)

The interim consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation. Operating results for the period ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2013.

3. Investment properties

The Group had sold investment property located in Al Fintas Area, Block No. 2, Plot No. 14 amounting to KD 1,595,000 which resulted in a gain amounting to KD 83,100 recorded in the Interim condensed consolidated statement of profit or loss.

4. Term Deposits

The effective interest rate on term deposits is 2.75% (December 31, 2013 – 2.75%, September 30, 2013 – 2.75%) per annum, these deposits mature within 4 years.

5. Cash and cash equivalents

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Cash on hand and at banks	<u>18,507,152</u>	<u>14,961,305</u>	<u>2,603,929</u>
Short term deposits	<u>500,000</u>	<u>500,000</u>	<u>-</u>
	<u>19,007,152</u>	<u>15,461,305</u>	<u>2,603,929</u>

The effective interest rate on short term deposits is 1.25% per annum (December 31, 2013 – 1.187%, September 30, 2013 from 0.625% to 1%) and these deposits have a maturity of 90 days.

6. Share capital

The authorized, issued and fully paid-up capital KD11,160,834 (December 31, 2013 _ KD 10,629,366, September 30, 2013_ KD 10,629,366), consists of 111,608,343 is shares (December 31, 2013 – 106,293,660 shares, September 30, 2013 – 106,293,660 shares) of nominal value of 100 fils each and all shares are in cash and in kind (Note 1).

7. Treasury shares

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Number of treasury shares	<u>105,370</u>	<u>100,353</u>	<u>100,353</u>
Percentage of issued shares (%)	<u>0.094%</u>	<u>0.094%</u>	<u>0.094%</u>
Market value (KD)	<u>90,618</u>	<u>118,417</u>	<u>122,431</u>
Cost (KD)	<u>64,374</u>	<u>64,374</u>	<u>64,374</u>

Based on Capital Markets Authority resolution dated December 30, 2013, the Parent Company's management has allotted an amount equal to treasury shares balance from the available reserves as of the consolidated financial information reporting date. Such amount will not be available for distribution during treasury shares holding period by Parent Company.

COMBINED GROUP CONTRACTING COMPANY - K.S.C. (PUBLIC) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2014

(All amounts are in Kuwaiti Dinars)

8. Long-term loans

Long-term loans are summarized as follows:

	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>
Loan from local bank guaranteed by a formal mortgage on Ardiya land and its construction, and is repayable in monthly installments for the period of 15 years until March 27, 2020 after a grace period of one year, and carries an interest rate of 3.5% per annum over the Central Bank of Kuwait discount rate.	104,459	556,478	660,937
Loan from local bank for financing the purchase of fixed assets guaranteed by a formal mortgage of the Parent company factories on Salibya industry area and repayable in monthly installments for the period of 5 years until March 1, 2017, carries an interest rate of 4% per annum over the Central Bank of Kuwait discount rate.	600,000	800,000	1,400,000
Loan from local bank repayable in monthly installments and deducted 15% of the value of payments received for projects maturing in October 6, 2014, carries an interest rate of 2% per annum over the Central Bank of Kuwait discount rate.	690,000	-	690,000
Loans from Gulf banks repayable in monthly and quarterly installments and carries an interest rate ranging from 7% to 7.75% and maturing during 2016 and 2017 to finance purchase of asphalt factory against guarantee by partners and mortgage of the buildings, machinery and equipments of a branch outside Kuwait.	283,285	944,794	1,228,079
Balance as of September 30, 2014	1,677,744	2,301,272	3,979,016
Balance as of December 31, 2013	2,380,627	2,352,646	4,733,273
Balance as of September 30, 2013	2,594,944	2,186,269	4,781,213

9. Iqara and Murabaha facilities

These represent facilities related to a subsidiary against purchases of goods, metals and equipments for this subsidiary to be paid during 36 months with due dates May 30, 2015 and November 12, 2016.

10. Short-term loans and credit facilities

Short term loans and credit facilities represent advance payments by the banks against construction contracts, which are to be settled by deducting 10% to 15% from the amounts to be received for the completed work. These loans carry interest rate ranging from 2.75% to 4.5% per annum (December 31, 2013 – from 6.5% to 7.75%, September 30, 2013 – between 6.5% to 7.75%).

Short term loans and credit facilities for the Parent Company and subsidiaries are secured by personal guarantees of partners and money transfer order for the revenue from projects to the banks.

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11. Due to banks

Due to banks represent overdrafts which carry interest rate ranging from 2.75% to 4.5% per annum (December 31, 2013 – from 6.5% to 7.75%, September 30, 2013 – between 6.5% to 7.75%). These balances are due upon demand.

Due to banks for the Parent Company and subsidiaries are secured by personal guarantees of partners of subsidiaries companies and money transfer order for the revenue from projects to the banks.

12. Gross profit

	Three months ended September 30, 2014					Three months ended September 30, 2013
	Projects	Vehicles, machinery & garage	Asphalt factories and central mixers	Eliminations of inter-divisional transactions	Total	Total
Operating revenues	45,966,990	3,721,274	1,183,192	(5,105,160)	45,766,296	31,697,869
Operating Costs	(41,768,223)	(3,531,719)	(1,181,630)	5,105,160	(41,376,412)	(29,374,837)
Gross profit	4,198,767	189,555	1,562	-	4,389,884	2,323,032

	Nine months ended September 30, 2014					Nine months ended September 30, 2013
	Projects	Vehicles, machinery & garage	Asphalt factories and central mixers	Eliminations of inter-divisional transactions	Total	Total
Operating revenue	131,490,671	7,313,578	2,581,357	(8,968,267)	132,417,339	109,357,849
Operating Costs	(122,200,139)	(6,466,015)	(2,602,683)	8,968,267	(122,300,570)	(98,801,331)
Gross profit	9,290,532	847,563	(21,326)	-	10,116,769	10,556,518

13. Other income (loss)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Insurance claims	-	-	291,188	-
Lawsuits claims	19,908	-	256,778	-
Gain on sale of fixed assets	60,578	62,879	358,481	252,181
Others	104,412	(407,291)	277,709	(245,711)
	184,898	(344,412)	1,184,156	6,470

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14. Earnings (loss) per share

Earnings (loss) per share is computed by dividing net profit (loss) for the period attributable to shareholders of the Parent Company over the weighted average number of outstanding shares, as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net profit (loss) for the period attributable to shareholders' equity of the Parent Company	<u>1,489,722</u>	<u>(676,265)</u>	<u>3,556,707</u>	<u>3,206,188</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
<u>Number of outstanding shares:</u>				
Number of issued shares at beginning of the period	106,293,660	106,293,660	106,293,660	106,293,660
Add: Bonus shares	5,314,683	5,314,683	5,314,683	5,314,683
Less: weighted average number of treasury shares	<u>(105,371)</u>	<u>(105,371)</u>	<u>(105,371)</u>	<u>(105,371)</u>
Weighted average number of outstanding shares	<u>111,502,972</u>	<u>111,502,972</u>	<u>111,502,972</u>	<u>111,502,972</u>
Earnings (loss) per share (fils)	<u>13.36</u>	<u>(6.06)</u>	<u>31.89</u>	<u>28.75</u>

Earnings per share reported for the period ended September 30, 2013 was 30.19 fils before retroactive adjustment relating to the issue of bonus shares (Note 15).

15. General Assembly

The Shareholders' General Assembly held on May 11, 2014 approved the distribution of cash dividends of 35 fils per share and bonus shares of 5 shares for every 100 shares and remuneration for Board of Directors of KD 70,000 for the financial year ended December 31, 2013.

The Shareholders' General Assembly held on May 14, 2013 approved the distribution of cash dividends of 70 fils per share and remuneration for Board of Directors of KD 70,000 for the financial year ended December 31, 2012.

16. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Interim condensed consolidated statement of financial position

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Accounts receivable and other debit balances	<u>1,571,531</u>	<u>368,438</u>	<u>304,927</u>
	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Accounts payable and other credit balances	<u>189,578</u>	<u>-</u>	<u>-</u>

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Interim condensed consolidated statement of profit or loss

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Key management compensation:				
Salaries and other short term benefits	372,860	293,827	1,020,243	1,059,706
Terminal benefits	6,697	6,229	18,332	34,829
	<u>379,557</u>	<u>300,056</u>	<u>1,038,575</u>	<u>1,094,535</u>

17. Capital commitments

As of the date of interim condensed consolidated statement of financial position, the Group has capital commitments in respect of the following:

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Purchase of investment available for sale	400,000	400,000	400,000
Purchase of land in state of Qatar	519,512	-	346,683
Purchase of fixed assets	-	387,984	-
	<u>919,512</u>	<u>787,984</u>	<u>746,683</u>

18. Segment information

The Group is organized into functional divisions to manage its various lines of business. The Group operates mainly in the State of Kuwait and outside. For the purposes of segment reporting, the Group's management has decided its products and services into the following segments:

- State of Kuwait.
- Gulf Countries.

Details of the above segments, which constitute the main segment information, are as follows:

	September 30, 2014			Total
	State of Kuwait	Gulf Countries	Non- controlling interests	
Operating revenue	87,100,605	45,316,734	-	132,417,339
Operating costs	(81,272,351)	(41,028,219)	-	(122,300,570)
Gross profit	5,828,254	4,288,515	-	10,116,769
Segment results	1,652,482	1,904,225	775,931	4,332,638
Segment assets	177,690,082	62,764,646	-	240,454,728
Segment liabilities	141,089,973	56,233,034	-	197,323,007

	September 30, 2013			Total
	State of Kuwait	Gulf Countries	Non- controlling interests	
Operating revenue	87,279,783	22,078,066	-	109,357,849
Operating costs	(79,275,103)	(19,526,228)	-	(98,801,331)
Gross profit	8,004,680	2,551,838	-	10,556,518
Segment results	2,797,656	408,532	651,791	3,857,979
Segment assets	144,604,491	28,624,916	-	173,229,407
Segment liabilities	107,261,453	25,015,396	-	132,276,849

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19. Contingent liabilities and claims

A) At the date of interim condensed consolidated statement of financial position, the Group was contingently liable in respect of the following:

	September 30, 2014	December 31, 2013 (Audited)	September 30, 2013
Letters of credit	13,247,059	19,824,976	26,205,035
Performance guarantees	116,395,921	136,209,340	120,811,743
Guarantees for advance payments	61,042,200	50,948,990	33,031,973
Guarantees for bids	23,848,454	8,402,773	13,073,355
Guarantees for retentions	11,905,577	14,630,335	22,728,331
Other guarantees	20,287,791	7,446,663	7,458,673
	<u>246,727,002</u>	<u>237,463,077</u>	<u>223,309,110</u>

B) At the date of interim condensed consolidated statement of financial position, certain lawsuits were in progress for and against the Parent Company and still pending against the Judiciary. In the opinion of management, the outcome of these lawsuits will be favorable to the Parent Company and accordingly no provisions were accounted against these contingencies.

20. Fair value of financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial instruments that are measured at fair value at:

September 30, 2014

Assets	Level 1	Level 2	Total
Investments at fair value through profit or loss	<u>2,778,009</u>	<u>649,003</u>	<u>3,427,012</u>

December 31, 2013 (Audited)

Assets	Level 1	Level 2	Total
Investments at fair value through profit or loss	<u>2,230,228</u>	<u>558,464</u>	<u>2,788,692</u>

September 30, 2013

Assets	Level 1	Level 2	Total
Investments at fair value through profit or loss	<u>2,220,528</u>	<u>550,881</u>	<u>2,771,409</u>

During the period ended September 30, 2014, there were no transfers between different levels of fair value measurement.