

Consolidated financial statements and independent auditors' report
Specialties Group Holding Company – KPSC and Subsidiaries
Kuwait

31 December 2015

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Independent auditors' report

To the Shareholders of
Specialties Group Holding Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Specialties Group Holding – Kuwaiti Public Shareholding Company (the “parent company”) and its Subsidiaries (collectively the “group”), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Qualified Opinion

The consolidated financial statements of the group includes the financial statements of the group's subsidiary Specialties Real Estate Company W.L.L., located in Saudi Arabia, ("SREC" or the "subsidiary"), based on management accounts as at 31 December 2012. The group received management accounts for the subsidiary for years ended 31 December 2013 and 31 December 2014. However; they did not recognize the results, since management believes these results require further review and clarification. Further, no financial information was available as at 31 December 2015 and for the year ended from 1 January 2015 to 31 December 2015. The total assets and total liabilities of SREC as at 31 December 2012 included in these consolidated financial statements are KD3,832,486 and KD77,148, respectively. Consequently, we were unable to obtain sufficient appropriate information to satisfy ourselves on the amounts and balances included in these consolidated financial statements relating to this subsidiary. We have qualified our audit opinion and review conclusion in this regard on the consolidated financial statements since the audit report has been issued for the year ended 31 December 2013.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and the executive regulations of Law No. 25 of 2012, 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. 1 of 2016 and the executive regulations of Law No. 25 of 2012, and by the parent company's memorandum of incorporation and articles of association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or financial position of the parent company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Waleed A. Al Osaimi
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Kuwait
29 March 2016

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue			
Revenue from sales and services	8	21,167,386	19,421,421
Cost of sales and services		(18,214,219)	(15,948,230)
Gross profit		2,953,167	3,473,191
Reversal of impairment on intangible assets	13	101,498	280,447
Change in fair value of investment properties	12	16,304	140,059
Gain on sale of investment properties	12	53,025	384
Rental income		69,724	63,700
Reversal of trading properties to net realisable value	18	309,764	534,418
Share of results of associates	14	(334,138)	156,320
Change in fair value of investments at fair value through profit or loss		(38,310)	(15,210)
Foreign currency exchange gain		40,018	66,460
Other income		271,590	448,807
		3,442,642	5,148,576
Expenses and other charges			
General, administrative and other expenses		(2,900,723)	(2,249,145)
Selling and distribution expenses		(74,126)	(100,147)
Finance costs		(19,930)	(35,457)
Provision for slow moving items		(37,090)	-
Provision for doubtful debts	16,17	(2,600,231)	(684,538)
Impairment of investment in associate	14	(1,177,614)	-
(Loss)/profit before contributions to KFAS, NLST, Zakat and directors' remuneration		(3,367,072)	2,079,289
Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(18,867)
Provision for National Labour Support Tax (NLST)		-	(58,087)
Provision for Zakat		-	(21,672)
Provision for Directors' remuneration		-	(25,000)
(Loss)/profit for the year		(3,367,072)	1,955,663
Attributable to :			
Owners of the parent company		(3,349,892)	1,941,659
Non-controlling interests		(17,180)	14,004
(Loss)/profit for the year		(3,367,072)	1,955,663
Basic and diluted (loss)/ earnings per share attributable to the owners of the parent company	10	(23.5) Fils	13.6 Fils

The notes set out on pages 9 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
(Loss)/profit for the year	(3,367,072)	1,955,663
Other comprehensive income:		
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss</i>		
- Change in fair value of available for sale investments	(4,424)	-
- Share of other comprehensive (loss)/income of associates	(27,313)	54,620
- Exchange differences arising on translation of foreign operations	189,720	185,830
	157,983	240,450
<i>Items that will not be reclassified to consolidated statement of profit or loss in future periods:-</i>		
- Share of other comprehensive income of associate	13,005	652,602
Other comprehensive income for the year	170,988	893,052
Total comprehensive (loss)/income for the year	(3,196,084)	2,848,715
Total comprehensive (loss)/income attributable to:		
Owners of the parent company	(3,190,137)	2,823,064
Non-controlling interests	(5,947)	25,651
	(3,196,084)	2,848,715

The notes set out on pages 9 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Non-current assets			
Property, plant and equipment	11	2,107,460	2,193,812
Investment properties	12	819,707	1,246,439
Intangible assets	13	1,331,736	1,569,436
Investment in associates	14	9,098,365	10,493,410
Available for sale investments		10,788	15,212
Retention receivables	16	2,218,070	1,057,182
		15,586,126	16,575,491
Current assets			
Inventories	15	2,184,298	2,288,410
Accounts receivable and other assets	16	13,322,082	9,148,598
Due from related parties	17	1,324,705	3,610,419
Trading properties	18	4,813,954	4,837,635
Investments at fair value through profit or loss		75,890	114,200
Cash and cash equivalents	19	2,247,142	6,015,118
		23,968,071	26,014,380
Total assets		39,554,197	42,589,871
Equity and liabilities			
Equity			
Share capital	20	15,000,000	15,000,000
Share premium	20	17,500,000	17,500,000
Statutory reserve	21	1,981,563	1,981,563
Voluntary reserve	21	473,319	473,319
Other components of equity	22	1,967,157	1,832,817
Treasury shares	23	(2,418,587)	(2,418,587)
(Accumulated losses)/retained earnings		(2,074,929)	2,248,354
Total equity attributable to the owners of the parent company		32,428,523	36,617,466
Non-controlling interests		303,925	309,872
Total equity		32,732,448	36,927,338
Non-current liabilities			
Provision for employees' end of service benefits		509,341	505,552
Current liabilities			
Accounts payable and other liabilities	24	4,292,408	4,602,271
Murabaha payables	25	2,020,000	-
Term loan		-	554,710
		6,312,408	5,156,981
Total liabilities		6,821,749	5,662,533
Total equity and liabilities		39,554,197	42,589,871

Tariq Jaafar Al-Wazzan
 Chairman

Mubarak Woqayan Al-Woqayan
 Chief Executive Officer

The notes set out on pages 9 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company							Non-controlling interests		Total
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Other components of equity (Note 22) KD	Treasury shares KD	Retained earnings/ (Accumulated losses) KD	Sub-total KD	KD	
Balance as at 1 January 2015	15,000,000	17,500,000	1,981,563	473,319	1,832,817	(2,418,587)	2,248,354	36,617,466	309,872	36,927,338
Loss for the year	-	-	-	-	-	-	(3,349,892)	(3,349,892)	(17,180)	(3,367,072)
Other comprehensive income	-	-	-	-	159,755	-	-	159,755	11,233	170,988
Total comprehensive income/(loss) for the year	-	-	-	-	159,755	-	(3,349,892)	(3,190,137)	(5,947)	(3,196,084)
Adjustment to revaluation reserve	-	-	-	-	(25,415)	-	25,415	-	-	-
Dividend paid (note 26)	-	-	-	-	-	-	(998,806)	(998,806)	-	(998,806)
Transactions with owners	-	-	-	-	-	-	(998,806)	(998,806)	-	(998,806)
Balance as at 31 December 2015	15,000,000	17,500,000	1,981,563	473,319	1,967,157	(2,418,587)	(2,074,929)	32,428,523	303,925	32,732,448

The notes set out on pages 9 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company							Non-controlling interests		Total	
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Other components of equity (Note 22) KD	Treasury shares KD	Retained earnings KD	Sub-total KD	KD		KD
Balance as at 1 January 2014	15,000,000	17,500,000	1,775,034	266,790	976,827	(2,418,587)	1,749,481	34,849,545	742,384	35,591,929	
Profit for the year	-	-	-	-	-	-	1,941,659	1,941,659	14,004	1,955,663	
Other comprehensive income	-	-	-	-	881,405	-	-	881,405	11,647	893,052	
Total comprehensive income for the year	-	-	-	-	881,405	-	1,941,659	2,823,064	25,651	2,848,715	
Adjustment to revaluation reserve	-	-	-	-	(25,415)	-	25,415	-	-	-	
Acquisition of non-controlling interests	-	-	-	-	-	-	(56,337)	(56,337)	(458,163)	(514,500)	
Dividend paid (note 26)	-	-	-	-	-	-	(998,806)	(998,806)	-	(998,806)	
Transactions with owners	-	-	-	-	-	-	(1,055,143)	(1,055,143)	(458,163)	(1,513,306)	
Transfer to reserves	-	-	206,529	206,529	-	-	(413,058)	-	-	-	
Balance as at 31 December 2014	15,000,000	17,500,000	1,981,563	473,319	1,832,817	(2,418,587)	2,248,354	36,617,466	309,872	36,927,338	

The notes set out on pages 9 to 51 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES			
(Loss)/profit for the year		(3,367,072)	1,955,663
Adjustments for:			
Depreciation and amortisation	9	652,912	360,196
Reversal of impairment on intangible assets	13	(101,498)	(280,447)
Share of results of associates	14	334,138	(156,320)
Impairment of investment in associate	14	1,177,614	-
Gain on sale of investment properties	12	(53,025)	(384)
Loss on sale of property, plant and equipment		7,952	2,787
Change in fair value of investment properties	12	(16,304)	(140,059)
Change in fair value of investment at fair value through profit or loss		38,310	15,210
Provision for doubtful debts and others	16,17	2,600,231	684,538
Finance costs		19,930	35,457
Reversal of trading properties to net realisable value	18	(309,764)	(534,418)
Provision for slow moving items		37,090	-
Provision for employees' end of service indemnity		70,929	90,592
		1,091,443	2,032,815
Changes in operating assets and liabilities:			
Inventories		67,022	(365,126)
Accounts receivable and other assets		(5,528,603)	3,618,224
Due from related parties		(35,833)	215,880
Trading properties		333,445	(25,069)
Accounts payable and other liabilities		(309,863)	(73,532)
Provision for employees' end of service indemnity paid		(67,140)	(38,984)
Net cash (used in)/from operating activities		(4,449,529)	5,364,208
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(133,679)	(469,641)
Proceeds from disposal of property, plant and equipment		8,697	-
Additions to investment properties	12	-	(1,542)
Proceeds from disposal of investment properties	12	496,337	112,960
Dividend received from associate	14	-	57,750
Net cash from/(used in) investing activities		371,355	(300,473)
FINANCING ACTIVITIES			
Dividends paid	26	(998,806)	(998,806)
Acquisition of non-controlling interest		-	(514,500)
Proceeds from murabaha payables		2,020,000	-
Net movement in term loan		(554,710)	(684,569)
Finance costs paid		(19,930)	(35,457)
Net cash from/(used in) financing activities		446,554	(2,233,332)
Net (decrease)/increase in cash and cash equivalents		(3,631,620)	2,830,403
Foreign currency translation		(136,356)	54,647
Cash and cash equivalents at beginning of the year		6,015,118	3,130,068
Cash and cash equivalents at end of the year	19	2,247,142	6,015,118

The notes set out on pages 9 to 51 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Specialties Group Holding Company – KPSC (Kuwaiti Public Shareholding Company) was incorporated on 1 October 1988 in accordance with the Commercial Companies Law in the State of Kuwait and is the group's ultimate parent company (the "parent company"). The shares of the parent company are listed on the Kuwait Stock Exchange.

In 2006, the parent company changed the legal form of the company from a Kuwaiti limited liability company to a Kuwaiti closed shareholding company and also changed its name from Alghanim Specialties Company – WLL to Specialties Group Holding Company – KPSC and amended its articles of association accordingly. According to the revised articles of association of the parent company, its objectives are as follows:

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

The group comprises the parent company and its subsidiaries. Details of the subsidiaries are set out in Note 7.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled the Companies Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new executive regulations.

The address of the parent company's registered office is PO Box 23595, Safat 13096, State of Kuwait.

The board of directors of the parent company approved these consolidated financial statements for issue on 29 March 2016 and are subject to the approval of the General Assembly of the Shareholders.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for investments at fair value through profit or loss, available for sale investments, investment properties and right of use of land and building that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the parent company.

3 Statement of compliance

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 19 Defined Benefit Plans: Employee Contributions -Amendments	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment did not have any material impact to the group's consolidated financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) *IFRS 2 Share-based payment*- This improvement is applied prospectively and clarifies various issues relating to the definitions of performance ad service conditions which are vesting conditions.

(ii) *Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.

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

(iv) *Amendments to IFRS 8*- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators). A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

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

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

The amendment did not have any material impact to the group's consolidated financial statements.

Annual Improvements 2011-2013 Cycle

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Annual Improvements 2011-2013 Cycle (continued)

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

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

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

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

The amendment did not have any material impact to the group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 Disclosure Initiative – Amendments	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 July 2016

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 ‘Financial Instruments’ (2014), representing the completion of its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the group’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the group’s receivables and investments in debt-type assets currently classified as loans and receivable and available for sale, unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income.
- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group’s own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 “Revenue”, IAS 11 “Construction Contracts” and several revenue-related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

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

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts.
- timing – whether revenue is required to be recognized over time or at a single point in time.
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue.
- time value – when to adjust a contract price for a financing component.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- specific issues, including –
 - o non-cash consideration and asset exchanges
 - o contract costs
 - o rights of return and other customer options
 - o supplier repurchase options
 - o warranties
 - o principal versus agent
 - o licencing
 - o breakage
 - o non-refundable upfront fees, and
 - o consignment and bill-and-hold arrangement.

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

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

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

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

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

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

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

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments

The Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture have been made to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

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

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

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

IAS 27 Equity Method in Separate Financial Statements - Amendments

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

The Amendments are aimed at clarifying the following aspects:

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

Annual Improvements to IFRSs 2012–2014 Cycle

- Amendments to IFRS 5* - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in consolidated financial statements.
- Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

5.1 Basis of consolidation

The group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

5.2 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

Revenue is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.3.1 Sale of goods

Sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery. Where significant tailoring, modification or integration is required, revenue is recognised in the same way as construction contracts described below.

5.3.2 Construction contracts

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in consolidated statement of profit or loss.

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognised for each milestone is determined by estimating relative contract fair values of each contract phase, i.e. by comparing the group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within accounts receivable and other assets for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within accounts payable and other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

5.3.3 Dividend income

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.3 Revenue (continued)

5.3.4 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease terms.

5.3.5 Rendering of services

The Company generates revenues from maintenance contracts. Revenue is recognised when the service is rendered.

5.4 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

5.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.6 Taxation

5.6.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.6.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.6.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

5.6.4 Taxation on overseas subsidiaries

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

5.7 Segment reporting

The group has three operating segments: (i) general trading, contracting and construction, (ii) oil activities and (iii) real estate. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.7 Segment reporting (continued)

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.8 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses except for building which are stated at revalued amounts less accumulated depreciation. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The useful lives, residual values and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment. The following useful lives are applied:

- Buildings: 20 years
- Furniture, fitting and computers: 5 years
- Machinery and equipment: 2-4 years.
- Motor vehicles: 3 years.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.9 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in consolidated statement of profit or loss within change in fair value of investment property and gain on sale of investment properties, respectively.

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.10 Trading properties

Trading properties include purchased costs of unsold real estate and stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. If the net realisable value is lower than cost, the difference is recognised in the consolidated statement of profit or loss.

5.11 Intangible assets

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

The group's intangible assets represent capitalised sealant line expenses and right of use of land leased from the government. Capitalised sealant line expenses are initially recognised at cost and subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Right of use of lease land is stated at revalued amounts. Revalued amounts are based on appraisals prepared by external professional valuers if market factors indicate a material change in value. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in consolidated statement of profit or loss, a revaluation increase is credited to consolidated statement of profit or loss with the remaining part of the increase recognised in other comprehensive income.

Downward revaluations of right of use of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in consolidated statement of profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Depreciation on the revalued right of use of land is charged to the consolidated statement of profit or loss and an amount equivalent to the depreciation charged on the revaluation surplus is transferred from revaluation surplus to retained earnings.

5.12 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.12 Investment in associates (continued)

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

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity.

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

5.14 Financial instruments

5.14.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

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

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

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.14 Financial instruments (continued)

5.14.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- Investments at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

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

• *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The group categorises loans and receivables into following categories:

Accounts and retention receivable

Accounts and retention receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances, together with a short term deposit with a maturity of less than three months, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Due from related parties

Due from related parties are financial assets originated by the group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

• *Investments at fair value through profit or loss (FVTPL)*

Classification of investments as investments at FVTPL depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.14 Financial instruments (continued)

5.14.2 Classification and subsequent measurement of financial assets (continued)

- *Investments at fair value through profit or loss (FVTPL) (continued)*

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- *AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

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

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

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.14.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include accounts payable and other liabilities, advance received from contracting customers, borrowings and murabaha payables.

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

- *Accounts payable and other liabilities, advance received from contracting customers*

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

- *Borrowings*

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.14 Financial instruments (continued)

5.14.3 Classification and subsequent measurement of financial liabilities (continued)

- *Murabaha payables*

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

5.15 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.16 Offsetting of financial instruments

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.

5.17 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 30.

5.18 Impairment testing of non financial assets

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.19 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the parent company's articles of association.

Other components of equity include the following:

- revaluation reserve – comprises gains and losses from the revaluation of leased hold land and building
- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Kuwaiti Dinars (KD)
- Fair value reserve – comprises gains and losses relating to available for sale financial assets
- Treasury shares reserve - comprises gain and losses relating from sale of treasury shares

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.20 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. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.21 End of service benefits

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.22 Foreign currency translation

5.22.1 Functional and presentation currency

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.22.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.22.3 Foreign operations

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

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

5.23 Provisions, contingent assets and contingent liabilities

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

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

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

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

5.24 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

Notes to the consolidated financial statements (continued)

6 Significant management judgments and estimation uncertainty

The preparation of the group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Classification of financial instruments

Judgments are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

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

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

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

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

The group classifies property as property under development if it is acquired with the intention of development.

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

6.1.3 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

6.1.4 Control assessment

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different

6.2.1 *Impairment of goodwill and other intangible assets*

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

6.2.2 *Impairment of associates*

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.3 *Impairment of available for sale equity investments*

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.4 *Impairment of accounts receivables*

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

6.2.5 *Impairment of inventories*

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

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

6.2.6 *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.7 *Business combinations*

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2 Estimates uncertainty (continued)

6.2.8 Recognition of construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

6.2.9 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 30).

7 Subsidiary companies

7.1 Details of subsidiary companies and the group's ownership are set out below:

Company name	Country of incorporation	Percentage of ownership		Principal activities
		31 Dec. 2015	31 Dec. 2014	
Specialties Construction General Trading and Contracting Company – WLL *	Kuwait	99%	99%	Trading in construction materials, construction and contracting
Specialties Real Estate Company – WLL *	Kuwait	99%	99%	Investment and real estate
Specialties Energy Company – WLL *	Kuwait	99%	99%	Trading in petrol devices and equipment and to engage in excavation and maintenance of oil wells
Alghanim Specialties Company – WLL *	Kuwait	99%	99%	General trading and contracting
Specialties Kumex for General Trading and Contracting Company – WLL *	Kuwait	99%	99%	General trading and contracting
Specialties Real Estate Company – WLL (a)	Saudi Arabia	99%	99%	Real estate and contracting
Specialties Energy Company – WLL	Saudi Arabia	73%	73%	Oil & gas activities and maintenance and operation of oil wells
Specialties Gulf Building Company-WLL	Saudi Arabia	80%	80%	Manufacturing and construction
Gulf Specialized Limited Co.	Saudi Arabia	50%	50%	Real estate and contracting
Towell and Specialties Real Estate Company – WLL	Oman	70%	70%	Real estate activities
Specialties Factory for Building Chemicals – WLL	Qatar	80%	80%	Manufacturing cement and concrete materials additives

* The effective ownership interest of the group in these subsidiaries is 100%.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.1 *Details of subsidiary companies and the group's ownership are set out below: (continued)*

(a) Specialties Real Estate Company - WLL ("SREC") is a special purpose entity established in Saudi Arabia to hold an investment in Warehousing Projects and Logistics Company (Saudi Arabia) ("WPL") which is classified as investment in an associate by SREC. The consolidated financial statements of the group for the year ended 31 December 2015 include the financial statements of SREC using management accounts as at 31 December 2012. Further, no financial information for SREC was available as at 31 December 2015 and for the year then ended. In 2013, the group initiated a lawsuit to get access to the financial information of WPL, and during the year ended 31 December 2014, the court issued a verdict in favor of the group.

7.2 *Subsidiary with material non-controlling interests*

The group includes a subsidiary, Specialties Factory for Building Chemicals – WLL (Qatar), with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
	KD	KD	KD	KD	KD	KD
Specialties Factory for Building Chemicals – WLL (Qatar)	20%	20%	(10,461)	(5,712)	216,746	219,246

No dividends were paid to the NCI during the year 2015 and 2014.

Summarised financial information for Specialties Factory for Building Chemicals – WLL (Qatar), before intragroup eliminations, is set out below:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Non-current assets	1,095,713	1,021,118
Current assets	666,864	284,702
Total assets	1,762,577	1,305,820
Non-current liabilities	-	-
Current liabilities	678,849	209,590
Total liabilities	678,849	209,590
Total equity attributable to the owners of the parent company	866,982	876,984
Non-controlling interests	216,746	219,246
Total equity	1,083,728	1,096,230

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiary with material non-controlling interests (continued)

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	446,297	-
Loss for the year attributable to the owners of the parent company	(41,844)	(22,849)
Loss for the year attributable to NCI	(10,461)	(5,712)
Loss for the year	(52,305)	(28,561)
Other comprehensive income of the parent company	31,842	32,794
Other comprehensive income for the NCI	7,961	8,198
Total comprehensive income for the year	39,803	40,992
Total comprehensive (loss)/income for the year attributable to the owners of the parent company	(10,002)	9,945
Total comprehensive (loss)/income for the year attributable to NCI	(2,500)	2,486
Total comprehensive (loss)/ income for the year	(12,502)	12,431
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow used in operating activities	(434,978)	(284,019)
Net cash flow used in investing activities	(37,905)	(68,961)
Net cash flow from financing activities	492,804	252,665
Net cash inflow/(outflow)	19,921	(100,315)

7.3 Interest in unconsolidated structured entities

The group has no interests in unconsolidated structured entities.

8 Revenue from sales and services

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
General trading	4,562,961	3,755,148
Contracting division	2,885,178	3,031,901
Construction division	4,806,902	4,501,909
Oil and gas contracting activities	8,912,345	8,132,463
	21,167,386	19,421,421

Notes to the consolidated financial statements (continued)

9 Results for the year

Results for the year is stated after charging:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Staff costs (a)	2,220,360	2,196,569
Depreciation and amortisation (b)	652,912	360,196

a. Staff costs for the year have been allocated as follows:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Cost of sales and services	988,475	1,003,924
General, administration and other expenses	1,231,885	1,192,645
	2,220,360	2,196,569

b. Depreciation and amortisation for the year have been allocated as follows:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Cost of sales and services	187,742	162,460
General, administration and other expenses	465,170	197,736
	652,912	360,196

10 Basic and diluted (loss)/earnings per share attributable to the owners of the parent company

Basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to the owners of the parent company by the weighted average number of shares outstanding during the year, excluding treasury shares, as follows:

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
(Loss)/profit for the year attributable to the owners of the parent company (KD)	(3,349,892)	1,941,659
Weighted average number of shares outstanding during the year (excluding treasury shares)	142,686,507	142,686,507
Basic and diluted (loss)/earnings per share	(23.5) Fils	13.6 Fils

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

Cost	Buildings KD	Furniture and fittings KD	Equipment and machinery KD	Motor vehicles KD	Computers KD	Capital work in progress KD	31 Dec. 2015 KD
At 1 January 2015	1,063,434	641,563	1,440,267	189,246	189,584	1,021,118	4,545,212
Transfers	931,741	6,044	73,262	7,107	2,964	(1,021,118)	-
Additions	2,916	34,040	70,672	8,560	17,491	-	133,679
Disposals	-	(16,585)	(13,312)	(5,959)	-	-	(35,856)
Foreign currency adjustments	102,375	698	9,866	781	352	-	114,072
At 31 December 2015	2,100,466	665,760	1,580,755	199,735	210,391	-	4,757,107
Accumulated depreciation							
At 1 January 2015	402,222	463,421	1,158,564	177,865	149,328	-	2,351,400
Charge for the year	93,732	81,493	106,189	13,310	18,990	-	313,714
Relating to disposals	-	(3,251)	(9,998)	(5,958)	-	-	(19,207)
Foreign currency adjustments	2,559	53	986	78	64	-	3,740
At 31 December 2015	498,513	541,716	1,255,741	185,295	168,382	-	2,649,647
Net book value at 31 December 2015	1,601,953	124,044	325,014	14,440	42,009	-	2,107,460

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment (continued)

Cost	Buildings KD	Furniture and fittings KD	Equipment and machinery KD	Motor vehicles KD	Computers KD	Capital work in progress KD	31 Dec. 2014 KD
At 1 January 2014	1,036,671	559,025	1,350,410	174,836	184,114	813,527	4,118,583
Additions	26,763	84,672	121,443	22,910	6,262	207,591	469,641
Disposals	-	(2,134)	(31,586)	(8,500)	(792)	-	(43,012)
At 31 December 2014	1,063,434	641,563	1,440,267	189,246	189,584	1,021,118	4,545,212
Accumulated depreciation							
At 1 January 2014	357,699	395,565	1,088,682	172,924	129,702	-	2,144,572
Charge for the year	44,523	67,995	101,468	13,441	19,626	-	247,053
Relating to disposals	-	(139)	(31,586)	(8,500)	-	-	(40,225)
At 31 December 2014	402,222	463,421	1,158,564	177,865	149,328	-	2,351,400
Net book value at 31 December 2014	661,212	178,142	281,703	11,381	40,256	1,021,118	2,193,812

The group's buildings are constructed on land leased from the Government of Kuwait (Note 13).

The depreciation charge is included with depreciation and amortisation expenses (see Note 9).

Capital work in progress represents cost incurred by a subsidiary for construction of a new factory in the State of Qatar.

Notes to the consolidated financial statements (continued)

12 Investment properties

	31 Dec. 2015 KD	31 Dec. 2014 KD
Properties in Kuwait	584,000	600,000
Properties in UAE	227,848	638,858
Properties in Oman	7,859	7,581
As at 31 December	819,707	1,246,439

The movement in investment properties is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
At 1 January	1,246,439	1,217,291
Addition (subsequent expenditure)	-	1,542
Disposal during the year	(443,312)	(112,576)
Change in fair value	16,304	140,059
Foreign currency translation adjustment	276	123
	819,707	1,246,439

During the year, the group sold investment properties for a consideration of KD496,337 and realised a gain on sale of KD53,025 (2014: KD384). The group has earned rental income from investment properties of KD69,724 (2014: KD63,700).

Fair value hierarchy disclosures for investment properties are provided in Note 30.

13 Intangible assets

	Right of use of leased land KD	Sealant line expenses KD	31 Dec. 2015 Total KD	31 Dec. 2014 Total KD
Cost or valuation				
At 1 January	2,611,533	10,949	2,622,482	2,622,482
Disposal	-	-	-	-
At 31 December	2,611,533	10,949	2,622,482	2,622,482
Amortisation				
At 1 January	931,871	10,949	942,820	829,677
Charge for the year	339,198	-	339,198	113,143
At 31 December	1,271,069	10,949	1,282,018	942,820
Impairment losses :				
At 1 January	110,226	-	110,226	390,673
Reversal of impairment loss during the year	(101,498)	-	(101,498)	(280,447)
At 31 December	8,728	-	8,728	110,226
Net book value at 31 December	1,331,736	-	1,331,736	1,569,436

Notes to the consolidated financial statements (continued)

13 Intangible assets (continued)

Right of use of leased land represents the leasehold land from the Government of Kuwait and it is amortized over a period of 13 years and 20 years. On 30 September 2005, the right of use of leasehold land was revalued by an independent valuer which resulted in a revaluation surplus of KD508,229 which is amortised annually over a 20 year period.

The amortisation charge is included with depreciation and amortisation expenses (see Note 9).

As a result of the impairment testing of the carrying value of the intangible assets, the group reversed an impairment loss of KD101,498 (2014: KD280,447). The impairment testing by management was based on fair value of right of use of leased land which has been determined based on valuation obtained from a local financial institution.

14 Investment in associates

14.1 Details of investment in associates are as follows:

	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2015	31 Dec. 2014	
Kuwait International Advanced Industries Co. – KSCC	Kuwait	25.00%	25.00%	Constructing and executing industrial projects
Equipment Holding Company – KPSC	Kuwait	29.75%	29.75%	Trading in heavy equipment, construction and contracting
Warehousing Projects and Logistics Company– WLL	Saudi Arabia	50.00%	50.00%	Real estate and construction
Gulf Real Estate Development Co. – WLL	Saudi Arabia	50.00%	50.00%	Real estate and construction

The movement of investment in associates during the year is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
At 1 January	10,493,410	9,556,558
Share of results of associates	(334,138)	156,320
Dividend received	-	(57,750)
Share of other comprehensive (loss)/income of associates	(14,308)	707,222
Impairment (14.1.1)	(1,177,614)	-
Foreign exchange translation	131,015	131,060
	9,098,365	10,493,410

14.1.1 Management has performed a detailed review of these investments at the reporting date to assess whether impairment has occurred in its value. As a result of the impairment testing of the carrying value of the investment in associates, the group recognised an impairment loss of KD1,177,614 (2014: NIL).

The carrying value of Equipment Holding Company-KPSC is based on the expected fair value in use based on cash flows discounted at company's expected rate of return applicable for items with similar terms and risk characteristics. These valuations require the company to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

Notes to the consolidated financial statements (continued)

14 Investment in associates (continued)

14.2 Summarised financial information of the group's material associates are set out below:

a) Kuwait International Advanced Industries Co. – KSC (unquoted):

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	5,045,770	5,175,003
Current assets	2,711,729	3,063,599
Total assets	7,757,499	8,238,602
Non-current liabilities	362,442	491,038
Current liabilities	2,165,197	2,240,648
Total liabilities	2,527,639	2,731,686
Net assets	5,229,860	5,506,916

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	3,660,499	3,397,407
Profit for the year	(277,056)	78,424
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	(277,056)	78,424
Dividend received from associate during the year	-	57,750

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Group's ownership interest (%)	25%	25%
Net assets of the associate	5,229,860	5,506,916
Group's share of net assets	1,307,466	1,376,729
Goodwill	571,349	571,349
Carrying amount	1,878,815	1,948,078

Notes to the consolidated financial statements (continued)

14 Investment in associates (continued)

14.2 Summarised financial information of the group's material associates are set out below: (continued)

b) Equipment Holding Company – KPSC (quoted):

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	30,643,917	21,871,861
Current assets	9,738,150	11,386,036
Total assets	40,382,067	33,257,897
Non-current liabilities	6,756,215	3,848,045
Current liabilities	16,324,961	11,170,524
Total liabilities	23,081,176	15,018,569
Net assets	17,300,891	18,239,328
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	12,726,820	7,443,757
(Loss)/profit for the year	(890,335)	459,542
Other comprehensive (loss)/income for the year	(48,100)	2,377,218
Total comprehensive (loss)/income for the year	(938,435)	2,836,760

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Group's ownership interest (%)	29.75%	29.75%
Net assets of the associate	17,300,891	18,239,328
Group's share of net assets	5,147,015	5,426,200
Adjustments	(497,911)	(497,911)
Impairment (14.1.1)	(1,177,614)	-
Carrying amount	3,471,490	4,928,289
Fair value	2,313,060	4,058,000

Notes to the consolidated financial statements (continued)

14 Investment in associates (continued)

14.2 Summarised financial information of the group's material associates are set out below (continued)

c) Warehousing Projects and Logistics Company ('WPLC') : (unquoted)

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	10,364,851	10,002,543
Current assets	552,331	533,023
Total assets	10,917,182	10,535,566
Non-current liabilities	35,130	33,902
Current liabilities	3,423,214	3,304,854
Total liabilities	3,458,344	3,338,756
Net assets	7,458,838	7,196,810

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Group's ownership interest (%)	50%	50%
Net assets of the associate	7,458,838	7,196,810
Group's share of net assets	3,729,419	3,598,405
Carrying amount	3,729,419	3,598,405

Warehousing Projects and Logistics Company-WLL ("WPL") is an associate held by one of the group's subsidiaries, Specialties Real Estate Company-WLL (Saudi Arabia) ("SREC"). The group accounted for its equity interest in the associate, using the associate's unaudited management accounts for the year ended 31 December 2012. No share of results of the associate has been recorded since then due to unavailability of any financial information of both SREC and WPL (Note 7).

14.3 Set out below is the aggregate information for the individually immaterial associates:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Group's share of the profits and losses	-	-
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	-	-
Aggregate carrying amount of group's interest in these associates	18,641	18,632

Notes to the consolidated financial statements (continued)

15 Inventories

	31 Dec. 2015 KD	31 Dec. 2014 KD
Construction materials	2,151,896	2,200,420
Raw and packing materials	83,101	100,290
Others	30,781	32,090
	2,265,778	2,332,800
Provision for slow moving inventories	(81,480)	(44,390)
	2,184,298	2,288,410

16 Accounts receivable and other assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Trade receivables	12,526,660	8,043,124
Retention receivables	541,146	566,384
Provision for doubtful debts (refer below)	(1,307,721)	(1,134,324)
	11,760,085	7,475,184
Advances to suppliers	1,046,014	983,302
Prepaid expenses and other assets	515,983	690,112
	13,322,082	9,148,598
Non-current		
Retention receivables	2,218,070	1,057,182
	2,218,070	1,057,182

Retention receivables on construction and contracting contracts are received upon completion of post contracts retention period specified in each contract.

Accounts receivable and other assets include an amount of KD646,949 represents a guarantee given by the group on behalf of Equipment Holding Company – KPSC (associate).

Trade receivables are non-interest bearing and generally on 30 – 90 days terms.

As at 31 December, the movement in the provision for doubtful debts is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	1,134,324	563,629
Charge for the year	694,231	684,538
Transfers to provision of due from related parties	(500,000)	-
Provision written off	(20,834)	(113,843)
Balance at 31 December	1,307,721	1,134,324

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Less than 3 months	1,564,330	776,736
Past due but partially impaired		
- 3 – 6 months	5,129,465	4,928,821
- over 6 months	5,066,290	1,769,627
Impaired		
- over 12 months	1,307,721	1,134,324
Total trade and current retention receivables	13,067,806	8,609,508

Notes to the consolidated financial statements (continued)

17 Due from related parties

	31 Dec. 2015 KD	31 Dec. 2014 KD
Equipment Holding Company – KPSC (associate)	1,114,301	1,278,234
Warehousing Projects and Logistics Company (associate)	2,415,930	2,331,479
Al-Khadda International General trading and Contracting Company – WLL (related party)	200,474	706
	3,730,705	3,610,419
Provision for doubtful debts (refer below)	(2,406,000)	-
	1,324,705	3,610,419

17.1 Amount due from Equipment Holding Company - KPSC (an associate) is receivable in two annual instalments on 31 December 2014 and 31 December 2015, respectively. On 31 December 2014, the associate was unable to settle the first payment amounting to KD639,042. However, associate provided two checks of KD170,000 and KD469,042. During the year, the group collected KD170,000 and the remaining amount of KD469,042 is currently under negotiation to be rescheduled. The total amount is secured by a charge over a certain property owned by the associate.

17.2 The amount due from Warehousing Projects and Logistics Company LLC represents an unsecured loan granted by the Parent Company which matured on 30 April 2015 and has not been renewed. The loan carries profit at a rate charged on similar loans by Islamic banks in Kuwait. During the year, the management has provided a provision against this balance amounting to KD1,906,000 (31 December 2014: KD500,000). Accordingly, a full provision has been made against the outstanding balance. The management has filed a legal case against the associate in order to recover this balance.

18 Trading properties

	31 Dec. 2015 KD	31 Dec. 2014 KD
Properties in UAE	4,813,954	4,837,635
	4,813,954	4,837,635

The movement in trading properties is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
At 1 January	4,837,635	4,278,148
Additions	-	25,069
Sold during the year	(333,445)	-
Reversal of impairment to net realisable value	309,764	534,418
Balance at 31 December	4,813,954	4,837,635

During the year, the group sold trading properties amounting to KD333,445 (2014: Nil) and realised a gain on sale of KD44,614.

Notes to the consolidated financial statements (continued)

18 Trading properties (continued)

At 31 December 2015, the management of the group performed a review of trading properties to assess if there is impairment in their carrying values based on valuations performed by independent professional real estate valuation experts using recognised valuation techniques. As a result, the group reversed the previously recorded loss on net realisable value of KD309,764 (2014:KD534,418) in the consolidated statement of profit or loss.

Fair value hierarchy disclosures for trading properties are provided in Note 30.

19 Cash and cash equivalents

	31 Dec. 2015 KD	31 Dec. 2014 KD
Bank balances and cash	2,247,142	1,515,118
Short term deposit	-	4,500,000
Cash and cash equivalents in the statement of cash flows	2,247,142	6,015,118

During the year company has withdrawn the short term deposit which had an original maturity of less than three months and carried an interest of 0.875% per annum.

20 Share capital and share premium

	Authorised		Issued and fully paid	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Shares of KD0.100 each (paid in cash)	15,000,000	15,000,000	15,000,000	15,000,000

Share premium is not available for distribution.

21 Statutory and voluntary reserves

As required by the Companies Law and the parent company's articles of association, 10% of the profit for the year before KFAS, Zakat, NLST and directors' remuneration is transferred to the statutory reserve until the balance reaches 50% of the parent company's issued and paid-up capital. No transfer is required in a year when losses are made. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

In accordance with the parent company's articles of association, a certain percentage of the parent company's profit before KFAS, Zakat, NLST and directors' remuneration is to be transferred to the voluntary reserve at the discretion of the board of directors which is to be approved at the general assembly.

No such transfers are required when the group incurs a loss or accumulated losses exist.

Notes to the consolidated financial statements (continued)

22 Other components of equity

	Revaluation reserve KD	Fair value reserve KD	Foreign exchange translation reserve KD	Treasury shares reserve KD	Total KD
Balance at 1 January 2015	969,294	40,217	74,869	748,437	1,832,817
Change in fair value of available for sale investments	-	(4,424)	-	-	(4,424)
Shares of other comprehensive income/(loss) of associates	13,005	(27,313)	-	-	(14,308)
Foreign exchange differences	-	-	178,487	-	178,487
Transfer relating to depreciation charge to retained earnings	(25,415)	-	-	-	(25,415)
Balance at 31 December 2015	956,884	8,480	253,356	748,437	1,967,157
Balance at 1 January 2014	342,107	(14,403)	(99,314)	748,437	976,827
Shares of other comprehensive income of associates	652,602	54,620	-	-	707,222
Foreign exchange differences	-	-	174,183	-	174,183
Transfer relating to depreciation charge to retained earnings	(25,415)	-	-	-	(25,415)
Balance at 31 December 2014	969,294	40,217	74,869	748,437	1,832,817

23 Treasury shares

	31 Dec. 2015	31 Dec. 2014
Number of shares (number)	7,313,493	7,313,493
Percentage of issued shares (%)	4.88%	4.88%
Cost of treasury shares (KD)	2,418,587	2,418,587
Market value (KD)	643,587	994,635

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

24 Accounts payable and other liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial liabilities		
Trade payables	1,569,261	1,342,369
Retention payables	801,158	271,781
Advance received from contracting customers	711,752	865,025
Notes payable	24,176	104,580
Provisions and other payables	1,186,061	2,018,516
	4,292,408	4,602,271

The carrying values of trade payables are considered to be a reasonable approximation of their fair value.

Advances from customers for construction and contracting contracts related to work not yet performed have been recognised in current liabilities.

Notes to the consolidated financial statements (continued)

25 Murabaha payables

Murabaha payables represent facilities obtained from local financial institutions on a deferred settlement basis for assets purchased under Islamic arrangements. These facilities carry a profit at an average rate of 2.5% over CBK rate per annum. Murabaha payables are due at varying dates ending on 26 March 2016. Murabaha payables are secured against corporate guarantees provided by the parent company and one of the group's subsidiaries.

26 Annual general assembly

The directors did not propose dividend for the year ended 31 December 2015.

The General Assembly of the shareholders held on 10 May 2015 approved the consolidated financial statements of the group for the year ended 31 December 2014. The General Assembly also approved cash dividend of 7 Fils per share of paid up share capital for the year 2014 (excluding treasury shares). The dividend amounted to KD998,806 and was paid from retained earnings.

27 Related party transactions

Related parties represent, major shareholders, directors and key management personnel of the group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Consolidated statement of financial position		
Due from related parties (Note 17)	1,324,705	3,610,419
Key management compensation		
Salaries and other short term benefits	96,004	88,236

28 Segmental information

For management purposes, the group is organised into three operating segments: general trading, contracting and construction, oil activities and real estate based on nature.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The group does not have any inter-segment transactions.

Notes to the consolidated financial statements (continued)

28 Segmental information (continued)

	General Trading, Contracting & Construction KD	Oil Activities KD	Real estate KD	Total KD
31 December 2015				
Segment operating revenues	12,255,041	8,912,345	69,724	21,237,110
Segment results	(1,611,559)	(353,581)	(6,066)	(1,971,206)
Depreciation and amortisation	(647,459)	(3,781)	(1,672)	(652,912)
Share of results of associates	(334,138)	-	-	(334,138)
Impairment of investment in associate	(1,177,614)	-	-	(1,177,614)
Reversal of trading properties to net realisable value	-	-	309,764	309,764
Reversal of impairment on intangible assets	101,498	-	-	101,498
Unallocated income	-	-	-	384,946
Unallocated expenses	-	-	-	(27,410)
Loss for the year				(3,367,072)
Total assets	22,480,519	6,415,217	10,658,461	39,554,197
Total liabilities	3,230,412	3,491,265	100,072	6,821,749
31 December 2014				
Segment operating revenues	11,288,958	8,132,463	63,700	19,485,121
Segment results	259,462	336,983	26,661	623,106
Depreciation and amortisation	(358,443)	-	(1,753)	(360,196)
Share of results of associates	156,320	-	-	156,320
Reversal of trading properties to net realisable value	-	-	534,418	534,418
Reversal of impairment on intangible assets	280,447	-	-	280,447
Unallocated income	-	-	-	696,408
Unallocated expenses	-	-	-	25,160
Profit for the year				1,955,663
Total assets	27,700,071	4,697,022	10,192,778	42,589,871
Total liabilities	3,135,897	2,389,221	137,415	5,662,533

29 Risk management objectives and policies

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 has various financial assets such as accounts receivable, due from related parties, bank balances and investment securities. The group's principal financial liabilities comprise accounts payable, advances and borrowings and murabahas. The main purpose of these financial liabilities is to raise finance for group's operations.

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

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

The parent company's Board of Directors is ultimately responsible to set out policies and strategies for management of risks.

The group does not use derivative financial instruments.

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

29.1 Market risk

a) Foreign currency risk

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

The group mainly operates in the Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirham, Omani Riyal, Saudi Riyal, Qatari Riyal and Euro. The group's consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

	31 Dec. 2015 <i>Equivalent</i> KD	31 Dec. 2014 <i>Equivalent</i> KD
US Dollar	(48,390)	(70,462)
UAE Dirham	915,989	(9,122)
Omani Riyal	85,309	109,706
Saudi Riyal	4,058,626	3,892,129
Euro	(6,802)	5,838
Qatari Riyal	358,962	237,645

Based on the average market volatility in exchange rates in the previous twelve months, the parent company's management estimates that a reasonable possible change in the above exchange rate would be 5%. There have been no changes during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the results for the year. There is no impact on the group's equity.

	Results for the year	
	31 Dec. 2015 KD	31 Dec. 2014 KD
US Dollar	±2,420	±3,523
UAE Dirham	± 45,799	±456
Omani Riyal	± 4,265	±5,485
Saudi Riyal	± 202,931	±194,606
Euro	±340	±292
Qatari Riyal	± 17,948	±11,882

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

a) Foreign currency risk (continued)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The group is exposed to interest rate risk with respect to borrowings

The following table illustrates the sensitivity of the results for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2014: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2015		31 Dec. 2014	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
(Loss)/profit for the year	(859)	859	(250)	250

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of profit or loss or available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There have been no changes during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 10% (2014: 10%) higher/lower, the effect on the profit for the year and equity would have been as follows:

	Results for the year	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Investments at fair value through profit or loss	±7,589	± 11,420

The group's financial assets available for sale represent unquoted equity securities which are carried at cost, the impact of changes in equity prices cannot be reliably determined due to unavailability of reliable fair value of these investments. Accordingly, there is no impact on the group's other comprehensive income.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Accounts receivable and other assets	13,978,155	8,532,366
Due from related parties	1,324,705	3,610,419
Cash and cash equivalents	2,179,305	5,999,046
	17,482,165	18,141,831

The group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The group's policy is to deal only with creditworthy counterparties. The group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality other than those disclosed in note 16.

The credit risk for bank balances is considered negligible, since the counterparties are financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 29.3.

29.3 Concentration of assets

The distribution of financial assets by geographic region for 2015 and 2014 is as follows:

	Kuwait KD	Outside Kuwait KD	Total KD
At 31 December 2015			
Available for sale investments	500	10,288	10,788
Accounts receivable and other assets (note 16)	15,285,975	254,177	15,540,152
Due from related parties	1,324,705	-	1,324,705
Investments at fair value through statement of profit or loss	75,280	-	75,280
Cash and cash equivalents	1,044,597	1,202,545	2,247,142
	17,731,057	1,467,010	19,198,067
At 31 December 2014			
Available for sale investments	500	14,712	15,212
Accounts receivable and other assets (note 16)	8,532,366	-	8,532,366
Due from related parties	1,278,940	2,331,479	3,610,419
Investments at fair value through statement of profit or loss	114,200	-	114,200
Cash and cash equivalents	5,655,289	359,829	6,015,118
	15,581,295	2,706,020	18,287,315

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.4 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the group's liabilities. The maturities of liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
As at 31 December 2015					
Accounts payable and other liabilities	-	1,856,499	1,249,848	-	3,106,347
Murabaha payables	-	1,141,890	907,702	-	2,049,592
	-	2,998,389	2,157,550	-	5,155,939
As at 31 December 2014					
Accounts payable and other liabilities	-	233,295	2,350,460	-	2,583,755
Term loan	-	568,578	-	-	568,578
	-	801,873	2,350,460	-	3,152,333

30 Fair value measurement

30.1 Fair value hierarchy

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

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial assets:		
<i>Loans and receivables at amortised cost:</i>		
Accounts receivable and other assets	15,540,152	10,205,780
Due from related parties	1,324,705	3,610,419
Cash and cash equivalents	2,247,142	6,015,118
<i>Investments at fair value through statement of profit or loss:</i>		
Investments at fair value through profit or loss	75,890	114,200
<i>Available for sale investments at fair value:</i>		
Available for sale investments	10,788	15,212
	19,198,677	19,960,729
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
Accounts payable and other liabilities	4,292,408	4,602,271
Term loan	-	554,710
Murabaha payable	2,020,000	-
	6,312,408	5,156,981

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

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

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

31 December 2015

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss	a	75,890	-	-	75,890
Available for sale investments	a	-	10,788	-	10,788
		75,890	10,788	-	86,678

31 December 2014

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss	a	114,200	-	-	114,200
		114,200	-	-	114,200

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

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

Measurement at fair value

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

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Financial liabilities

The group does not have any financial liabilities at fair value.

30.3 Fair value measurement of non-financial assets

Investment properties and trading properties were fair valued at 31 December 2015 and are classified under level 2 fair value hierarchy and reconciliation is provided in note 12 and 18 respectively.

Fair value of the group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. Both valuers have valued the developed property using the market comparison approach. Market comparison approach is based on a comparison of active market prices for similar properties and recent arm's length market transactions, adjusted for difference in the nature, location or condition of the specific property. For valuation purpose, the Company has selected the lower of these two valuations (2014: the lower of two valuations) as required by the Capital Market Authority (CMA).

31 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital of the group consists of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The group monitors its capital by way of return on equity. This is calculated by reference to profit for the year divided by total equity as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
(Loss)/profit for the year	(3,367,072)	1,955,663
Total equity	32,732,448	36,927,338
(Loss)/return on equity	(10.28%)	5.30%

32 Contingent liabilities

At the year end, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD10,952,030 (2014: KD11,787,113) from which it is anticipated that no material liability will arise.