

Consolidated financial statements and Independent auditors' report  
Privatization Holding Co. – KPSC and Subsidiaries  
Kuwait  
31 December 2015

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## Independent auditors' report

To the shareholders of  
Privatization Holding Company – KPSC  
Kuwait

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Privatization Holding Company – Kuwaiti Public Shareholding Company and its Subsidiaries (“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.

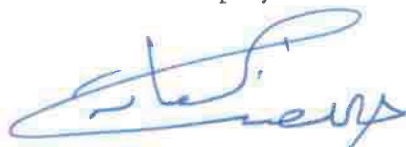
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

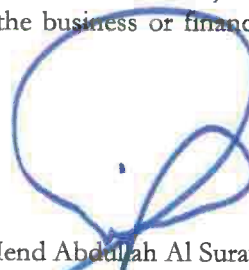
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Privatization Holding Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Matters**

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and the executive regulations of Law No. 25 of 2012 and by the Parent Company's articles and memorandum 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 the executive regulations and of the Parent Company's and its executive regulation, articles and memorandum of association, as amended, have occurred during the year 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)  
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Member of MAZARS

Kuwait  
17 March 2016

## Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
<b>Revenue</b>			
Gain on sale of investments at fair value through profit or loss		76,491	29,766
Change in fair value of investments at fair value through profit or loss		(198,540)	(44,897)
Gain on sale of available for sale investments		1,236,965	1,810,375
Change in fair value of investment properties		(9,525)	120,748
Dividend income		2,055,541	1,732,130
Interest income	8	284,694	408,965
Murabaha income		453,941	747,477
Share of results of associates	16	561,681	4,137,881
Gain on sale of investment properties		16,823	138,856
Revenue from services		13,288,433	8,185,389
Foreign exchange (loss)/gain		(22,349)	64,155
Other income		571,485	531,162
<b>Total income</b>		<b>18,315,640</b>	<b>17,862,007</b>
<b>Expenses and other charges</b>			
Cost of services rendered		(9,998,221)	(6,539,394)
General and administrative expenses	9	(3,356,650)	(2,719,814)
Portfolio management fees		(100,069)	(157,393)
Finance costs		(2,889,567)	(3,154,443)
Impairment of available for sale investments	15	(1,399,875)	-
Impairment of investment in associates	16	(92,055)	-
<b>Total expenses</b>		<b>(17,836,437)</b>	<b>(12,571,044)</b>
<b>Profit for the year before taxation</b>		<b>479,203</b>	<b>5,290,963</b>
Taxation		-	(84,713)
<b>Profit for the year</b>		<b>479,203</b>	<b>5,206,250</b>
<b>Attributable to:</b>			
Owners of the Parent Company		109,795	5,037,700
Non-controlling interests		369,408	168,550
		<b>479,203</b>	<b>5,206,250</b>
<b>Basic and diluted earnings per share attributable to the owners of the parent company</b>	10	<b>0.2 Fils</b>	<b>6.8 Fils</b>

*The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.*

## Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
<b>Profit for the year</b>		<b>479,203</b>	<b>5,206,250</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:</i>			
Available for sale investments :			
- Change in fair value		(27,389)	(143,027)
- Transferred to consolidated statement of profit or loss on sale		(1,236,965)	(1,810,375)
- Transferred to consolidated statement of profit or loss on impairment	15	1,399,875	-
Exchange difference arising on translation of foreign operations		563	87
Share of other comprehensive (loss)/income of associates	16	(185,583)	900,706
<b>Other comprehensive loss for the year</b>		<b>(49,499)</b>	<b>(1,052,609)</b>
<b>Total comprehensive income for the year</b>		<b>429,704</b>	<b>4,153,641</b>
<b>Attributable to:</b>			
Owners of the Parent Company		(9,357)	3,978,288
Non-controlling interests		439,061	175,353
		<b>429,704</b>	<b>4,153,641</b>

*The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.*

## Consolidated statement of financial position

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Assets</b>			
Cash and cash equivalents	11	11,962,493	11,070,292
Investments at fair value through profit or loss	12	13,710,220	14,380,792
Accounts receivable and other assets	13	17,589,760	14,520,646
Murabaha receivable	14	-	15,040,060
Available for sale investments	15	49,713,029	57,588,215
Investment in associates	16	46,742,183	48,375,955
Investment properties	17	3,384,974	3,663,596
Held-to-maturity investment	18	1,506,983	2,700,000
Intangible assets	19	2,160,176	2,150,171
Property, plant and equipment	20	11,394,201	11,746,334
<b>Total assets</b>		<b>158,164,019</b>	<b>181,236,061</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	21	73,828,000	73,828,000
Share premium	21	24,761,544	24,761,544
Statutory reserve	22	1,497,548	1,486,581
General reserve	22	1,072,302	1,061,335
Other reserves		(77,567)	5,336
Treasury shares	23	(2,865,881)	(282,084)
Treasury shares reserve	23	1,815,085	1,801,684
Fair value reserve		(820,748)	(384,428)
Foreign currency translation reserve		617,568	300,400
Retained earnings		149,668	3,742,501
<b>Equity attributable to the owners of the parent company</b>		<b>99,977,519</b>	<b>106,320,869</b>
<b>Non-controlling interests</b>	7	<b>2,015,905</b>	<b>988,704</b>
<b>Total equity</b>		<b>101,993,424</b>	<b>107,309,573</b>
<b>Liabilities</b>			
Term loans	24	47,784,344	68,229,880
Employees' end of service benefits		861,558	642,938
Accounts payable and other liabilities	25	6,721,079	4,266,613
Due to banks	11	803,614	787,057
<b>Total liabilities</b>		<b>56,170,595</b>	<b>73,926,488</b>
<b>Total equity and liabilities</b>		<b>158,164,019</b>	<b>181,236,061</b>



Reyadh S. A. Edrees  
Chairman



Mohammad Abdulmoshen Al-Asfor  
Vice Chairman

*The notes set out on pages 9 to 52 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 equity	
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD			Sub-total KD
At 1 January 2015	73,828,000	24,761,544	1,486,581	1,061,335	5,336	(282,084)	1,801,684	(384,428)	300,400	3,742,501	106,320,869	988,704	107,309,573
Profit for the period	-	-	-	-	-	-	-	-	-	109,795	109,795	369,408	479,203
Other comprehensive income:													
Available for sale investments:													
- Change in fair value	-	-	-	-	-	-	-	(97,041)	-	-	(97,041)	69,652	(27,389)
- Transferred to statement of profit or loss on sale	-	-	-	-	-	-	-	(1,236,965)	-	-	(1,236,965)	-	(1,236,965)
- Impairment losses	-	-	-	-	-	-	-	1,399,875	-	-	1,399,875	-	1,399,875
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	563	-	563	-	563
Share of other comprehensive (loss)/income of associates	-	-	-	-	-	-	-	(502,189)	316,605	-	(185,584)	1	(185,583)
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(436,320)	317,168	-	(119,152)	69,653	(49,499)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(436,320)	317,168	109,795	(9,357)	439,061	429,704
Purchase of treasury shares	-	-	-	-	-	(2,798,515)	-	-	-	-	(2,798,515)	-	(2,798,515)
Sale of treasury shares	-	-	-	-	-	214,718	13,401	-	-	-	228,119	-	228,119
Share of other reserves of associate (Note 16)	-	-	-	-	(69,962)	-	-	-	-	-	(69,962)	-	(69,962)
Ownership changes in equity of a subsidiary without loss of control	-	-	-	-	(12,941)	-	-	-	-	-	(12,941)	4,256	(8,685)
Purchase of subsidiary	-	-	-	-	-	-	-	-	-	-	-	583,884	583,884
Dividends paid (note 26)	-	-	-	-	-	-	-	-	-	(3,680,694)	(3,680,694)	-	(3,680,694)
Transfer to reserves	-	-	10,967	10,967	-	-	-	-	-	(21,934)	-	-	-
<b>At 31 December 2015</b>	<b>73,828,000</b>	<b>24,761,544</b>	<b>1,497,548</b>	<b>1,072,302</b>	<b>(77,567)</b>	<b>(2,865,881)</b>	<b>1,815,085</b>	<b>(820,748)</b>	<b>617,568</b>	<b>149,668</b>	<b>99,977,519</b>	<b>2,015,905</b>	<b>101,993,424</b>

The notes set out on pages 9 to 52 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 equity			
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value Reserve KD	Foreign currency translation reserve KD	Retained earnings KD			Sub-total KD	KD	KD
As at 1 January 2014	73,828,000	24,761,544	1,061,335	1,061,335	(20,790)	-	1,801,684	1,010,346	(34,962)	(869,953)	102,598,539	805,184	103,403,723		
Profit for the year	-	-	-	-	-	-	-	-	-	5,037,700	5,037,700	168,550	5,206,250		
Other comprehensive income:															
Available for sale investments :															
- Change in fair value	-	-	-	-	-	-	-	(143,027)	-	-	(143,027)	-	(143,027)		
- Transferred to statement of profit or loss on sale	-	-	-	-	-	-	-	(1,810,375)	-	-	(1,810,375)	-	(1,810,375)		
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	87	-	87	-	87		
Share of other comprehensive income of associates	-	-	-	-	-	-	-	558,628	335,275	-	893,903	6,803	900,706		
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(1,394,774)	335,362	-	(1,059,412)	6,803	(1,052,609)		
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(1,394,774)	335,362	5,037,700	3,978,288	175,353	4,153,641		
Purchase of treasury shares	-	-	-	-	-	(282,084)	-	-	-	-	(282,084)	-	(282,084)		
Share of other reserves of associate (Note 16)	-	-	-	-	26,126	-	-	-	-	-	26,126	-	26,126		
Ownership changes in equity of a subsidiary without loss of control	-	-	-	-	-	-	-	-	-	-	-	8,167	8,167		
Transfer to reserves	-	-	425,246	-	-	-	-	-	-	(425,246)	-	-	-		
<b>At 31 December 2014</b>	<b>73,828,000</b>	<b>24,761,544</b>	<b>1,486,581</b>	<b>1,061,335</b>	<b>5,336</b>	<b>(282,084)</b>	<b>1,801,684</b>	<b>(384,428)</b>	<b>300,400</b>	<b>3,742,501</b>	<b>106,320,869</b>	<b>988,704</b>	<b>107,309,573</b>		

The notes set out on pages 9 to 52 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
<b>OPERATING ACTIVITIES</b>			
Profit for the year		479,203	5,206,250
Adjustments for:			
Depreciation		1,305,246	924,226
Provision for employees' end of service benefits		287,660	194,224
Gain on sale of available for sale of investments		(1,236,965)	(1,810,375)
Gain on sale investments at fair value through profit or loss		(76,491)	(29,766)
Change in fair value of investments at fair value through profit or loss		198,540	44,897
Dividend income		(2,055,541)	(1,732,130)
Interest income		(284,694)	(408,965)
Murabaha income		(453,941)	(747,477)
Finance costs		2,889,567	3,154,443
Foreign exchange loss/(gain)		22,349	(64,155)
Share of results of associates	16	(561,681)	(4,137,881)
Gain on sale of investment properties		(16,823)	(138,856)
Change in fair value of investment properties		9,525	(120,748)
Provision for doubtful debts		92,405	100,000
Impairment of available for sale investments	15	1,399,875	-
Impairment of investment in associates	16	92,055	-
<b>Change in operating assets and liabilities:</b>		<b>2,090,289</b>	<b>433,687</b>
Accounts receivable and prepayments		(2,195,183)	(3,315,095)
Investments at fair value through profit or loss		548,523	443,371
Accounts payable and accruals		2,563,901	2,183,434
<b>Cash flows used in operating activities</b>		<b>3,007,530</b>	<b>(254,603)</b>
Taxation paid		(152,260)	(15,311)
Employees' end of service benefits paid		(69,040)	(74,287)
<b>Net cash flows used in operating activities</b>		<b>2,786,230</b>	<b>(344,201)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(613,364)	(1,560,941)
Proceeds from sale of property, plant and equipment		-	13,044
Purchase of investment in associates	16	(566,564)	(4,730)
Dividend received from associates	16	2,414,416	505,297
Proceeds from sale of investment properties		285,920	438,666
Net movement of murabaha receivable		14,935,715	28,771
Purchase of available for sale investments		(4,291,399)	(6,374,270)
Proceeds from sale of available for sale investments		12,139,195	7,644,986
Murabaha income received		558,284	747,477
Interest income received		277,711	408,965
Dividend income received		2,055,541	1,732,130
Purchase of held to maturity investment		(1,500,000)	-
Proceeds from redemption of held to maturity investment		2,700,000	-
Purchase of investment in subsidiary		(300,000)	-
<b>Net cash flows from investing activities</b>		<b>28,095,455</b>	<b>3,579,395</b>
<b>FINANCING ACTIVITIES</b>			
Purchase of treasury shares		(2,798,515)	(282,084)
Sale of treasury shares		228,119	-
Proceeds from term loan		8,408,830	4,107,396
Repayment of term loan		(29,098,916)	(3,538,622)
Dividends paid		(3,680,694)	(94,009)
Finance costs paid		(3,069,684)	(2,774,204)
Movement in non-controlling interest		4,256	8,167
<b>Net cash flows used in financing activities</b>		<b>(30,006,604)</b>	<b>(2,573,356)</b>
<b>Net increase in cash and cash equivalents</b>		<b>875,081</b>	<b>661,838</b>
Foreign currency translation reserve		563	87
Cash and cash equivalents at beginning of the year		10,283,235	9,621,310
<b>Cash and cash equivalents at end of the year</b>	11	<b>11,158,879</b>	<b>10,283,235</b>

The notes set out on pages 9 to 52 form an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1 Incorporation and activities

Privatization Holding Company - KPSC (the “Parent Company”) is a Kuwaiti shareholding company registered on 10 October 1994 and is listed on the Kuwait Stock Exchange.

The Parent Company is licensed to:

- invest in Kuwaiti and foreign shareholding companies and limited liability companies and to participate in the establishment and management of such entities,
- lend to such entities and act as their guarantor,
- utilization of excess funds in investment in financial portfolios or real estate portfolios through specialised parties inside or outside Kuwait,
- invest in real estate, hold patents and copy rights, and advance loans to associates,
- represent foreign consulting firms in local market.

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

Its registered office is located at Sharq, Ahmad Al-Jaber Street, Dar Al-Awadi Tower, 23 Floor, P.O. Box 4323, Safat 13104, Kuwait

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 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 consolidated financial statements of the group for the year ended 31 December 2015 were authorised for issue by the Parent Company’s board of directors on 17 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 and investment properties 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

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

## 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

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

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

##### *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 and 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 IAS 16 and IAS 38*- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

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

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

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.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 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

#### **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.

## 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*

IFRS 15 replaced IAS 11 Revenues 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.
- 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 and an Investor and its Associate or Joint Venture - Amendments*

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### *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.

##### *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 OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*: 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.

## Notes to the consolidated financial statements (continued)

### 4 Changes in accounting policies (continued)

#### 4.2 IASB Standards issued but not yet effective (continued)

##### *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.

##### *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*

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

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

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

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



## Notes to the consolidated financial statements (continued)

### 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.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed 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 statement of 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 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made. Revenue arises from the rendering of the services and it is measured by reference to fair value of consideration received or receivable. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

##### 5.2.1 Revenue from service

Revenue from service is recognised when services are rendered.

##### 5.2.2 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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.2 Revenue recognition (continued)

##### 5.2.2 Construction contracts (continued)

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 trade and other receivables 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 other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

##### 5.2.3 Dividend income

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

##### 5.2.4 Rental income

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

##### 5.2.5 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

#### 5.3 Operating expenses

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

#### 5.4 Finance cost

Finance cost is recognised in the consolidated statement of profit or loss on a time proportion basis over the period of related liabilities.

#### 5.5 Taxation

##### 5.5.1 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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.5 Taxation (continued)

##### 5.5.2 *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.

##### 5.5.3 *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.

Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior years is permitted.

##### 5.5.4 *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.

#### 5.6 Segment reporting

The group has two operating segments: investment and other segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

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.

#### 5.7 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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.7 Business combinations (continued)

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

#### 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. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following useful lives are applied:

- Leasehold land: 20 years
- Office building: 20-30 years
- Machinery and equipment: 10-20 years
- Furniture and fixtures: 4-7 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 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated 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 useful lives of intangible assets are assessed as either finite or indefinite.

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

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

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.9 Intangible assets (continued)

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

A summary of the policies applied to the Group's intangible assets is as follows:

	Goodwill	Other intangible assets
Useful lives	Indefinite	Finite
Amortisation method used	No amortisation	Amortised on a straight-line basis over a period of 1 to 4 years

#### 5.10 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 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. Fair values are determined based on lower of two annual evaluations performed by accredited external, independent real estate valuers.

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.

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 company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 5.11 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 income and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

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

The 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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.11 Investment in associates (continued)

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.

#### 5.12 Financial instruments

##### 5.12.1 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.

##### 5.12.2 Classification and subsequent measurement of financial assets

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

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

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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.2 Classification and subsequent measurement of financial assets (continued)

- **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 receivable and other assets*

Receivables are stated at original invoice amount based on contractual agreement 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.

*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.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, bank balances, saving accounts and bank overdraft that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

*Murabaha receivable*

Murabaha receivable is an islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. When the credit risk of the transaction is attributable to a financial institution, the amount due under murabaha contracts is classified as a murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as murabaha receivable. Murabaha receivable which arise from the group's financing on an Islamic basis are classified as murabaha receivables originated by the group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a murabaha are treated as part of the cost of the transaction and are charged to the consolidated statement of profit or loss. All murabaha receivable is recognised when the legal right to control the use of the underlying asset is transferred to the customer.

- **Financial assets at FVTPL**

Classification of investments as financial assets 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 in the management accounts, 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)

#### 5.12 Financial instruments (continued)

##### 5.12.2 Classification and subsequent measurement of financial assets (continued)

- **Financial assets at 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.

- **HTM investments**

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

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

##### 5.12.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include accounts payable and other liabilities, amount due to related parties and term loans.



## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.12 Financial instruments (continued)

##### 5.12.3 Classification and subsequent measurement of financial liabilities (continued)

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

##### *Accounts payable and other liabilities*

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

##### *Term loans*

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

##### *Due to related parties*

Due to related parties are financial liability arising in the normal courses of the business and are not quoted in an active market.

#### 5.13 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

#### 5.14 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.

#### 5.15 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.

#### 5.16 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 (Note 31).

#### 5.17 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.

## Notes to the consolidated financial statements (continued)

### 5 Significant accounting policies (continued)

#### 5.17 Impairment testing of non financial assets (continued)

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 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.

#### 5.18 Equity, reserves and dividend payments

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies Law and the Parent Company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Kuwaiti Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale investments.
- Treasury shares reserve – comprises gains and losses arising from sale of treasury shares

Retained earnings include all current and prior period retained profit. All transactions with owners of the Parent Company are recorded separately within equity.

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

#### 5.19 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.

#### 5.20 Employees' 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)

#### 5.21 Foreign currency translation

##### 5.21.1 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.

##### 5.21.2 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.

##### 5.21.3 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.

#### 5.22 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.

#### 5.23 Related party transactions

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

## Notes to the consolidated financial statements (continued)

### **6 Significant management judgements and estimation uncertainty**

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

#### **6.1 Significant management judgments**

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

##### **6.1.1 Classification of financial instruments**

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

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

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

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

The management classifies investments as held-to-maturity if they are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the management has the positive intention and ability to hold to maturity.

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 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 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.

##### 6.2.2 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.

##### 6.2.3 Impairment of 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.

##### 6.2.4 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.

##### 6.2.5 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.

##### 6.2.6 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. 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.

## Notes to the consolidated financial statements (continued)

### 7 Subsidiaries

#### 7.1 Composition of the group

Set out below details of the subsidiaries held by the group:

	Country of incorporation	Voting capital held		Activities
		31 Dec. 2015	31 Dec. 2014	
<b>Held directly:</b>				
Global Projects Holding Company - K.S.C. (Closed) ("GPHC") <sup>1 and 2</sup>	Kuwait	96.0%	96.0%	Investment
Specialized Environmental Services Company - WLL ("SES") <sup>1</sup>	Kuwait	99.0%	99.0%	Investment
Global Commercial Privatization Company - WLL <sup>1</sup>	Kuwait	99.0%	99.0%	Import and export
Global Professional General Trading Company - WLL	Kuwait	62.0%	62.0%	General trading
Combined Trust Real Estate Company - WLL	Kuwait	51.0%	51.0%	Investment and real estate
Privatisation Agriculture Contracting Company - WLL <sup>1</sup>	Kuwait	99.0%	99.0%	General trading and contracting
Global Privatisation for Medical Services Company - WLL <sup>1</sup>	Kuwait	99.0%	99.0%	General trading and contracting
Global Specialised Electrical Company - WLL <sup>1</sup>	Kuwait	99.0%	99.0%	Electric power generation
Ersaal Communication Co. - WLL <sup>3</sup>	Kuwait	-	99.0%	Communication systems
Specialized Education Company - WLL <sup>1</sup>	Kuwait	99.0%	99.0%	Educational services
Wuduh Financial & Economic Consulting Company - WLL <sup>1</sup>	Kuwait	99.0%	99.0%	Consultancy services
Daytona Production Company - WLL <sup>1</sup>	Kuwait	99.0%	99.0%	Advertising and publishing
Privatization Holding Company – WLL Jordan <sup>4</sup>	Jordan	100%	-	Investment
<b>Held through GPHC:</b>				
Gas and Oils Field Services Company - K.S.C. (Closed) ("GOFSCO")	Kuwait	99.7%	99.7%	Maintenance of Oil and gas well and related installations
<b>Held through GOFSCO:</b>				
Abyar Gulf Company for General Trading and Contracting - WLL ("Abyar")	Kuwait	50.0%	50.0%	General trading and contracting
Leader Plus General Trading Company - WLL	Kuwait	99.0%	99.0%	General trading and contracting
Amal Ebstam General Trading & Contracting Company - WLL <sup>3</sup>	Kuwait	-	99.0%	General trading and contracting
Grand Oil for Oil Activities Company - K.S.C. (Closed)	Kuwait	99.0%	99.0%	Oil and gas sludge cleaning activities
Noor Gazprom Geophysics for Drilling and Maintenance of Oil and Non-Oil Wells Company - WLL	Kuwait	51.0%	51.0%	Drilling and maintenance of oil and non-oil wells
<b>Held through Abyaar:</b>				
Privatization Engineering Company for General Contracting - WLL <sup>4</sup>	Kuwait	50.0%	-	General Trading and contracting

## Notes to the consolidated financial statements (continued)

### 7 Subsidiaries (continued)

#### 7.1 Composition of the group (continued)

1. An insignificant holding of shares are held by nominees who have confirmed in writing that the Parent Company has the beneficial ownership interest in the subsidiary through a letter of assignment.
2. The Parent Company holds 50% and the subsidiary SES holds 46%.
3. The Parent Company has transferred ownership of Ersaal Communication Co. WLL to a related party. Net asset value of the subsidiary was KD35,478 and this transaction resulted a gain of KD355. During the year GOFSCO sold its equity interest in Amal Ebstam General Trading & Contracting Company WLL for a consideration of KD3,000. Net asset value of the subsidiary was KD Nil and the sale transaction has resulted in a gain of KD3,000 and included in other income.
4. During the year the parent company incorporated a fully owned subsidiary Privatization Holding Company – WLL Jordan. Also, one of the Group's local subsidiaries acquired 50% equity stake in Privatization Engineering Company for General Contracting, a Kuwait Limited Liability Company and the acquisition was accounted in accordance with IFRS 3. The acquisition has resulted in gain on bargain purchase amounting to KD83,884 which is included in other income based on the fair value of the net assets at the acquisition date pending completion of purchase price allocation.

#### 7.2 Subsidiaries with material non-controlling interests

The group's following subsidiaries have 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 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Gas and Oils Field Services Company - KSC (Closed) ("GOFSCO")	0.3%	0.3%	350,474	165,878	1,810,148	876,328
Global Professional General Trading Company - WLL	38%	38%	18,983	(195)	183,056	60,937
Individual immaterial subsidiaries with non controlling interest			(49)	2,867	22,701	51,439
			<b>369,408</b>	<b>168,550</b>	<b>2,015,905</b>	<b>988,704</b>

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

## Notes to the consolidated financial statements (continued)

### 7 Subsidiaries (continued)

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

Summarised consolidated financial information of material non-controlling interest before intragroup eliminations, is set out below:

#### GOFSCO

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Non-current assets	15,432,614	15,342,229
Current assets	16,279,206	11,386,770
<b>Total assets</b>	<b>31,711,820</b>	<b>26,728,999</b>
Non-current liabilities	925,789	1,319,092
Current liabilities	11,708,044	9,241,211
<b>Total liabilities</b>	<b>12,633,833</b>	<b>10,560,303</b>
Total equity attributable to the owners of the parent company	17,267,839	15,292,368
Non-controlling interests (including non-controlling interests in subsidiary)	1,810,148	876,328
<b>Total equity</b>	<b>19,077,987</b>	<b>16,168,696</b>
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Profit for the year attributable to the owners of the parent company	1,988,414	1,109,266
Profit for the year attributable to NCI	350,474	165,878
<b>Profit for the year</b>	<b>2,338,888</b>	<b>1,275,144</b>
Total comprehensive income for the year attributable to the owners of the parent company	1,988,414	1,109,266
Total comprehensive income for the year attributable to NCI	350,474	165,878
<b>Total comprehensive income for the year</b>	<b>2,338,888</b>	<b>1,275,144</b>
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow from operating activities	695,539	1,323,058
Net cash flow from investing activities	(901,342)	(1,280,890)
Net cash flow from financing activities	1,283,056	1,270,991
<b>Net cash inflows</b>	<b>1,077,253</b>	<b>1,313,159</b>



## Notes to the consolidated financial statements (continued)

### 7 Subsidiaries (continued)

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

##### Global Professional General Trading Company - WLL

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Non-current assets	3,575,733	1,230,728
Current assets	64,511	5,822
<b>Total assets</b>	<b>3,640,244</b>	<b>1,236,550</b>
Non-current liabilities	-	-
Current liabilities	3,158,518	1,076,190
<b>Total liabilities</b>	<b>3,158,518</b>	<b>1,076,190</b>
Total equity attributable to the owners of the parent company	298,670	99,423
Non-controlling interests (including non-controlling interests in subsidiary)	183,056	60,937
<b>Total equity</b>	<b>481,726</b>	<b>160,360</b>
Profit/(loss) for the year attributable to the owners of the parent company	30,971	(319)
Profit/(loss) for the year attributable to NCI	18,983	(195)
<b>Profit/(loss) for the year</b>	<b>49,954</b>	<b>(514)</b>
Other comprehensive income for the year attributable to the owners of the parent company	168,275	16,631
Other comprehensive income for the year attributable to NCI	103,137	10,193
<b>Total other comprehensive income for the year</b>	<b>271,412</b>	<b>26,824</b>
Total comprehensive income for the year attributable to the owners of the parent company	199,246	16,312
Total comprehensive income for the year attributable to NCI	122,120	9,998
<b>Total comprehensive income for the year</b>	<b>321,366</b>	<b>26,310</b>
	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Net cash flow from operating activities	2,243,698	783,639
Net cash flow from investing activities	(2,015,497)	(1,070,401)
Net cash flow from financing activities	-	-
<b>Net cash inflows/(outflows)</b>	<b>228,201</b>	<b>(286,762)</b>

## Notes to the consolidated financial statements (continued)

### 8 Interest income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Fixed deposits	182,979	182,916
Held-to-maturity investments	89,215	135,000
Due from related parties (Note 27)	11,690	32,222
Other cash balances	810	58,827
	<b>284,694</b>	<b>408,965</b>

### 9 General and administrative expenses

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Staff costs	2,326,357	1,759,795
Administrative expenses	1,030,293	960,019
	<b>3,356,650</b>	<b>2,719,814</b>

### 10 Basic and diluted earnings per share attributable to the owners of the parent company

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the parent company by the weighted average number of shares outstanding during the period, less treasury shares as follows:

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
Profit for the year attributable to the owners of the parent company (KD)	109,670	5,037,700
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	722,420,525	736,636,860
Basic and diluted earnings per share	0.2 Fils	6.8 Fils

### 11 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cash and bank balances	10,570,390	10,867,521
Cash with a portfolio manager	1,392,103	202,771
	<b>11,962,493</b>	<b>11,070,292</b>
Due to banks	<b>(803,614)</b>	<b>(787,057)</b>
	<b>11,158,879</b>	<b>10,283,235</b>

Cash and bank balances include saving accounts and short-term deposits held with reputable local and foreign commercial banks which yield an effective interest rate ranging between 0.6% to 1.5% (2014: 0.6% to 1.5%) per annum.

## Notes to the consolidated financial statements (continued)

### 11 Cash and cash equivalents (continued)

Due to banks include a bank overdraft facility which bears an effective interest rate of 2.5% (2014: 2.5%) per annum over Central Bank of Kuwait ("CBK") discount rate.

### 12 Investments at fair value through profit or loss

	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Held for trading</b>		
Quoted equity securities	2,904,006	3,085,825
<b>Designated upon initial recognition</b>		
Unquoted equity securities	10,672,634	10,672,634
Mutual funds	133,580	622,333
	<b>13,710,220</b>	<b>14,380,792</b>

At 31 December 2015, the Group also held shares of related parties with a carrying value of KD126,306 (2014: KD187,736) (Note 27).

Investments at fair value through profit or loss amounting to KD11,138,787 (31 December 2014: KD12,158,803) are secured against certain term loans (Note 24). Management considers that the fair value of these financial assets has not materially changed compared to previous year.

### 13 Accounts receivable and other assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Trade receivables	5,762,007	3,986,396
Amounts due from related parties	3,172,959	3,833,003
Interest receivable	3,000,000	3,000,000
Prepaid expenses and accrued income	169,971	641,139
Advances to supplier	3,238,423	1,438,563
Other receivables	2,246,400	1,621,545
	<b>17,589,760</b>	<b>14,520,646</b>

Interest receivable of KD3,000,000 (2014: KD3,000,000) is past due and the Parent Company intends to reschedule the repayment date to be during the year 2016.

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Neither past due nor impaired	4,104,332	3,440,147
Past due but not impaired		
- 3 – 6 months	1,069,780	33,462
- over 6 months	587,895	512,787
Total trade receivables	<b>5,762,007</b>	<b>3,986,396</b>

### 14 Murabaha receivable

During the year murabaha receivable matured and the group received the full proceeds on maturity.

## Notes to the consolidated financial statements (continued)

### 15 Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Quoted equity securities	28,721,641	39,144,267
Unquoted equity securities	13,351,547	9,238,203
Mutual funds	7,639,841	9,205,745
	<b>49,713,029</b>	<b>57,588,215</b>

- (a) Mutual funds are carried at net asset values provided by the fund managers.
- (b) Unquoted equity securities of KD7,806,587 (2014: KD9,238,203) are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term.
- (c) Management has performed a review of available for sale investments to assess whether impairment has occurred and recorded impairment loss on quoted equity securities of KD1,399,875 (2014: KD Nil), in the consolidated statement of profit or loss.
- (d) Some equity securities classified as available for sale investments are registered in the name of a major shareholder (Note 27).
- (e) At 31 December 2015, the Group also held equity securities of related parties with a carrying value of KD9,480,503 (2014: KD8,661,086) (Note 27).
- (f) Available for sale investments amounting to KD29,141,629 (2014: KD40,273,609) are secured against certain term loan (Note 24).

### 16 Investment in associates

16.1 The details of the Group's investment in associates are as follows:

Name of the company	Country of incorporation	Equity interest		Activities
		2015	2014	
Kuwait Building Materials Manufacturing Company - KPSC ("KBMMC")	Kuwait	47.4%	47.4%	Building materials
First Equilease for Equipment and Transportation -K.S.C. (Closed) ("FTC") (Formerly Kuwait First Transportation Company - K.S.C. (Closed))	Kuwait	16.0%	16.0%	Transportation services
Kingdom Electricity Company ("KEC")	Jordan	30.0%	30.0%	Energy and industrial projects
Nawand Communications Holding Company - BSC (Closed) ("Nawand")	Kingdom of Bahrain	17.3%	17.3%	Telecom services
SNC-Lavalin Kuwait for General Trading & Contracting Company - WLL	Kuwait	30.0%	30.0%	General trading and contracting
Strategia Investment Company - KPSC ("Strategia")	Kuwait	43.0%	43.0%	Investments
Eastern United Petroleum Services Company -KSC (Closed) ("EUPS")	Kuwait	48.3%	48.3%	Oil & gas activities
National Industries Company – KPSC and subsidiaries ("NIC")	Kuwait	14.2%	14.3%	Manufacturing and marketing building materials
Canarde Group Consortium	Egypt	30%	-	Generating & maintaining electricity and electricity plant

## Notes to the consolidated financial statements (continued)

### 16 Investment in associates (continued)

The investment in FTC, Nawand and NIC have been classified as associates because the Parent Company exercises significant influence over the investee companies through representations on their Board of Directors and participation in their decision making process in relation to their financial and operating policies.

The movement in investment in associates is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at beginning of the year	48,375,955	43,811,809
Additions	566,563	4,730
Impairment	(92,055)	-
Dividends received	(2,414,416)	(505,297)
Share of results	561,681	4,137,881
Cumulative changes in fair values	(502,188)	565,439
Foreign currency translation adjustment	316,605	335,267
Other reserves	(69,962)	26,126
<b>Balance at end of the year</b>	<b>46,742,183</b>	<b>48,375,955</b>

The carrying amount of the investment in associates includes goodwill of KD9,147,250 (2014: KD9,026,203).

During the year, the group participated in increase in capital of Kingdom Electricity Company (“KEC”) - Jordan amounting to KD 405,840 which was paid in cash. The percentage ownership remained at 30% equity interest. The legal formalities for this increase are still in progress.

During the year the group contributed in establishing Canarde Group Consortium Company- Egypt amounting to KD 160,723. The investee’s main activities are generating and maintaining electricity and electricity plant.

Investment in associates include quoted associates with a carrying value of KD35,167,647 (2014: KD35,462,537) having a market value of KD19,187,275 (2014: KD24,313,847).

Management has performed a review of investments in associates to assess whether impairment has occurred and recorded impairment loss of KD92,055 (2014: KD NIL).

## Notes to the consolidated financial statements (continued)

### 16 Investment in associates (continued)

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

31 December 2015	KBMMC KD	FTC KD	KEC KD	Strategia KD	EUPS KD	NIC KD	Non- material KD	Total KD
<b>Assets</b>								
Current	4,059,050	11,620,040	104,072,913	8,385,613	3,045,792	44,555,939	715,580	
Non-current	2,707,762	2,084,144	161,839,936	25,032,868	3,003,609	69,206,378	-	
<b>Liabilities</b>								
Current	(359,676)	(213,101)	(101,081,681)	(387,179)	(3,282,150)	(12,679,768)	(750)	
Non-current	(535,182)	-	(143,572,001)	-	(102,639)	(5,642,341)	-	
Non-controlling interests	5,871,954	13,491,083	21,259,167	33,031,302	2,664,612	95,440,208	714,830	
	-	(337,390)	(7,268,961)	-	-	(5,626,544)	-	
Net assets	5,871,954	13,153,693	13,990,206	33,031,302	2,664,612	89,813,664	714,830	
Group's holding	47.4%	16.0%	30.0%	43.0%	48.3%	14.2%		
Group's share of net assets	2,782,035	2,104,591	4,197,070	14,222,881	1,286,746	12,787,159	214,451	37,594,933
Goodwill	463,846	-	3,439,092	130,733	332,587	4,780,992	-	9,147,250
Carrying amount	3,245,881	2,104,591	7,636,162	14,353,614	1,619,333	17,568,151	214,451	46,742,183
Revenue	3,292,362	1,138,729	229,286,772	565,041	3,212,822	49,901,688		
Expenses and other charges	(2,742,115)	(791,851)	(232,475,793)	(893,795)	(2,698,707)	(42,207,309)		
Net (loss)/profit	550,247	346,878	(3,189,021)	(328,754)	514,115	7,694,379		
Total comprehensive income/(loss)	550,247	462,522	(2,220,163)	(814,160)	514,115	5,783,802	(75,788)	
Group's share of total comprehensive income	260,698	74,003	(666,049)	(350,568)	248,266	823,465	(13,717)	376,088
Dividend received	215,468	-	1,455,892	-	-	743,056	-	2,414,416

## Notes to the consolidated financial statements (continued)

### 16 Investment in associates (continued)

16.2 Summarised financial information of group's material associates are set out below.

31 December 2014	KBMMC KD	FTC KD	KEC KD	Strategia KD	EUPS KD	NIC KD	Non- material KD	Total KD
<b>Assets</b>								
Current	3,963,376	11,793,550	78,848,887	9,916,230	1,916,564	44,832,522	259,748	
Non-current	2,879,873	2,190,477	147,240,842	24,378,757	2,938,799	69,286,716	716,637	
<b>Liabilities</b>								
Current	(561,390)	(969,981)	(80,499,588)	(449,521)	(2,704,856)	(16,393,886)	(189,089)	
Non-current	(505,371)	(21,817)	(117,840,540)	-	-	(5,451,300)	-	
Non-controlling interests	5,776,488	12,992,229 (301,056)	27,749,601 (7,635,542)	33,845,466	2,150,507	92,274,052 (2,837,499)	787,296	
Net assets	5,776,488	12,691,173	20,114,059	33,845,466	2,150,507	89,436,553	787,296	
Group holding	47.4%	16.0%	30.0%	43.0%	48.3%	14.3%		
Group's share of net assets	2,736,805	2,030,588	6,034,218	14,573,450	1,038,480	12,776,713	159,498	39,349,752
Goodwill	463,846	-	3,318,045	130,733	332,587	4,780,992	-	9,026,203
Carrying amount	3,200,651	2,030,588	9,352,263	14,704,183	1,371,067	17,557,705	159,498	48,375,955
Revenue	3,703,260	1,163,680	198,769,026	2,083,694	2,636,544	48,865,401		
Expenses and other charges	(3,110,416)	(1,221,544)	(191,671,214)	(948,193)	(2,190,066)	(41,638,778)		
Net profit/(loss)	592,844	(57,864)	7,097,812	1,135,501	446,478	7,226,625		
Total comprehensive income/(loss)	592,844	(50,060)	8,177,165	1,940,406	446,478	8,691,193	22,117	
Group's share of total comprehensive income	280,880	(8,010)	2,453,149	835,515	215,604	1,241,605	3,824	5,038,587
Dividend received	143,645	-	361,652	-	-	-	-	505,297

## Notes to the consolidated financial statements (continued)

### 17 Investment properties

	31 Dec. 2015 KD	31 Dec. 2014 KD
As at 1 January	3,663,596	3,842,658
Disposals	(269,097)	(299,810)
Gain from fair value adjustment	(9,525)	120,748
<b>At 31 December</b>	<b>3,384,974</b>	<b>3,663,596</b>

The investment property represents a villa in Spain and buildings in Egypt.

Fair value hierarchy disclosures for investment properties are in Note 31.3.

### 18 Held-to-maturity investment

On 13 August 2015, the group invested in SUKUK with a local Islamic financial institution amounting KD1,500,000 carrying profit rate of 2% over Central Bank Kuwait Discount Rate, which matures on 12 August 2018.

Also during the year, the group redeemed the unquoted bond amounting to KD2,700,000 issued at par value, which carried fixed interest at 5% per annum. There was no gain or loss on redemption.

### 19 Intangible assets

	Goodwill KD	Other intangible assets KD	Total KD
Cost:			
At 1 January 2015	2,150,171	1,167,502	3,317,673
Additions	10,005	-	10,005
<b>At 31 December 2015</b>	<b>2,160,176</b>	<b>1,167,502</b>	<b>3,327,678</b>
Amortisation:			
At 1 January 2015	-	1,167,502	1,167,502
Charge for the year	-	-	-
<b>At 31 December 2015</b>	<b>-</b>	<b>1,167,502</b>	<b>1,167,502</b>
<b>Net book value: At 31 December 2015</b>	<b>2,160,176</b>	<b>-</b>	<b>2,160,176</b>
Cost:			
At 1 January 2014	2,150,171	1,167,502	3,317,673
<b>At 31 December 2014</b>	<b>2,150,171</b>	<b>1,167,502</b>	<b>3,317,673</b>
Amortisation:			
At 1 January 2014	-	1,167,502	1,167,502
Charge for the year	-	-	-
<b>At 31 December 2014</b>	<b>-</b>	<b>1,167,502</b>	<b>1,167,502</b>
<b>Net book value: At 31 December 2014</b>	<b>2,150,171</b>	<b>-</b>	<b>2,150,171</b>



## Notes to the consolidated financial statements (continued)

### 19 Intangible assets (continued)

The goodwill arose on the acquisition of the subsidiary GOFSCO on 1 July 2009.

GOFSCO is engaged in providing services for gas and oil wells. The group has identified this business as cash generating unit for the purpose of testing the impairment of goodwill.

The group performed its impairment test as at 31 December 2015. The recoverable amount of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for a five year period. The discount rate applied to cash flow projections is 13% and cash flows beyond the 5 year period are extrapolated using long term growth rate of 2.8%. As a result of the analysis, the management did not recognise any impairment of cash generating units to which the goodwill is allocated.

#### Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Revenue;
- Earnings Before Interest, Depreciation and Amortisation (“EBIDA”);
- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period; and
- Useful lives of property and equipment

#### Sensitivity to changes in assumptions

With regard to the assessment of value in use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

### 20 Property, plant and equipment

	Leasehold land KD	Office building KD	Machinery and equipment KD	Furniture and fixture KD	Capital work in progress KD	Total KD
<b>Cost:</b>						
At 1 January 2015	816,479	319,206	13,380,989	545,363	129,311	15,191,348
Additions	340,000	15,712	192,202	77,732	327,718	953,364
Transfers	-	-	390,373	32,395	(422,768)	-
Disposals	-	(50,500)	(625)	(42,256)	-	(93,381)
<b>At 31 December 2015</b>	<b>1,156,479</b>	<b>284,418</b>	<b>13,962,939</b>	<b>613,234</b>	<b>34,261</b>	<b>16,051,331</b>
<b>Depreciation:</b>						
At 1 January 2015	-	155,579	3,001,590	287,845	-	3,445,014
Charge for the year	34,000	17,548	1,103,558	150,140	-	1,305,246
Disposals	-	(50,500)	(625)	(42,005)	-	(93,130)
<b>At 31 December 2015</b>	<b>34,000</b>	<b>122,627</b>	<b>4,104,523</b>	<b>395,980</b>	<b>-</b>	<b>4,657,130</b>
<b>Net book value:</b>						
<b>At 31 December 2015</b>	<b>1,122,479</b>	<b>161,791</b>	<b>9,858,416</b>	<b>217,254</b>	<b>34,261</b>	<b>11,394,201</b>

## Notes to the consolidated financial statements (continued)

### 20 Property, plant and equipment (continued)

	Leasehold land KD	Office building KD	Machinery and equipment KD	Furniture and fixture KD	Capital work in progress KD	Total KD
<b>Cost:</b>						
At 1 January 2014	824,048	257,593	11,349,554	241,224	971,032	13,643,451
Additions	-	532	219,816	124,457	1,216,136	1,560,941
Transfers	-	61,081	1,811,619	179,682	(2,052,382)	-
Disposals	(7,569)	-	-	-	(5,475)	(13,044)
At 31 December 2014	816,479	319,206	13,380,989	545,363	129,311	15,191,348
<b>Depreciation:</b>						
At 1 January 2014	-	142,347	2,215,178	163,263	-	2,520,788
Charge for the year	-	13,232	786,412	124,582	-	924,226
Disposals	-	-	-	-	-	-
At 31 December 2014	-	155,579	3,001,590	287,845	-	3,445,014
<b>Net book value:</b>						
At 31 December 2014	816,479	163,627	10,379,399	257,518	129,311	11,746,334

20.1 Leasehold rights of KD340,000 is related to 20 years leasehold right contract signed with the Public Authority for Industry and arose on business combination of a new subsidiary acquired by Abyar. (Note 7). The leasehold right is registered under the name of a related party (“the nominee”). The nominee has confirmed in writing that Abyar is the beneficial owner of the leasehold right. The leasehold right is amortised over the contract period.

20.2 Office buildings, machinery and equipment amounting to KD706,776 and KD1,554,543, respectively, have been secured against certain term loans (Note 24).

### 21 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	79,380,000	79,380,000	73,828,000	73,828,000

All the share capital paid in cash.

Share premium is not available for distribution.

### 22 Reserves

The Companies Law and the Parent Company’s articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and Directors’ remuneration is transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal 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 payment of a dividend of that amount.

The Parent Company’s articles of association and the Companies Law require that 10% of the profit for the year before KFAS, NLST, Zakat and Directors’ remuneration is transferred to the general reserve.

There are no restrictions on distribution of general reserve.

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

## Notes to the consolidated financial statements (continued)

### 23 Treasury shares

	31 Dec. 2015	31 Dec. 2014
Number of shares	55,054,804	5,042,000
Percentage of issued shares	7.457%	0.68%
Cost (KD)	2,865,881	282,084
Market value (KD)	2,752,740	249,579

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

### 24 Term loan

	31 Dec. 2015 KD	31 Dec. 2014 KD
Term loan 1	19,450,153	25,890,000
Term loan 2	11,250,485	7,038,664
Term loan 3	10,000,000	19,000,000
Term loan 4	3,878,037	2,650,280
Islamic finance facilities	3,205,669	13,650,936
	<b>47,784,344</b>	<b>68,229,880</b>
Instalments due within next twelve months	37,103,832	54,335,875
Instalments due after next twelve months	10,680,512	13,894,005
	<b>47,784,344</b>	<b>68,229,880</b>

Term loan 1 represents short-term credit facilities from a local bank which are subject to interest rate of 2.5% (2014: 2.5%) per annum over the CBK discount rate. During the year, the parent company settled an instalment of KD 6,439,847 which was due on 31 January 2015 out of total loan of KD25,890,000. In addition, an instalment of KD6,500,000 of the same loans was due on 31 July 2015 out of which the parent company settled an amount of KD5,938,296 subsequent to the year end. The term loan is secured against certain portfolios maintained by the parent company with a third party. Further, subsequent to year end an instalment of KD6,500,000 was due on January 2016 and management is negotiating the restructuring of this payment up to the date of issuance of these consolidated financial statements.

Term loan 2 represents short-term credit facilities KD1,175,600 (2014: KD7,038,664) and long term credit facilities of KD10,074,885 (2014: Nil) from a local bank which are subject to interest rates ranging between 2.5% to 4% (2014: 2.5% to 4%) per annum over the CBK discount rate or 3 months LIBOR. The term loan is payable on different instalments amounting to from 2015 till 2019. These term loans are secured against certain securities classified as available for sale (Note 15) and investments at fair value through profit or loss (Note 12).

## Notes to the consolidated financial statements (continued)

### 24 Term loan (continued)

Term loan 3 represents short-term credit facility from a local financial institution which matured in August 2015. It carries interest at the rate of 5% per annum. The term loan is secured against certain portfolios maintained by the third party classified as available for sale (Note 15) and investments at fair value through profit or loss (Note 12). During the year, the group settled an amount of KD9,000,000 plus the related accrued interest up to that date. The remaining balance of KD10 million of the total facility has been restructured and finalised subsequent to yearend.

Term loan 4 represents long term credit facilities KD605,628 (2014: KD1,004,005) and short-term credit facilities KD3,272,409 (2014: KD1,646,275) from local banks and are subject to interest rates ranging from 2.5% to 3.5% per annum over the CBK discount rate, and are payable in installments from 2015 to 2019. The loans are secured against office buildings, machinery and equipment amounting to KD706,776 and KD1,554,543 respectively (Note 20).

Islamic finance facilities related to Tawarruq finance amounting to KD3,205,669 (2014: KD3,685,936) were obtained in 2011 from a local bank. Tawarruq carries profit at rate of 5.25% (2014: 5.25%) per annum. The amount is repayable on 14 January 2017 and is secured against assignment of proceeds from certain contracts. Also, the group has settled Murabaha payable of KD9,965,000 to a local Islamic bank which was due on 13 August 2015.

### 25 Accounts payable and other liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Accounts payable	1,300,646	1,247,169
Amounts due to related parties (Note 27)	2,076,813	559,626
Accrued expenses and other liabilities	3,343,620	2,459,818
	<b>6,721,079</b>	<b>4,266,613</b>

### 26 Annual general assembly

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

The Annual General Assembly of shareholders held on 12 May 2015, approved the consolidated financial statements for the year ended 31 December 2014 and cash dividend of 5% (2013: Nil) per share amounting to KD3,680,694 (2013: KD Nil) for the year ended 31 December 2014 which was paid following that approval.

### 27 Related party transactions

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

## Notes to the consolidated financial statements (continued)

### 27 Related party transactions (continued)

Transactions with related parties included in the consolidated financial information are as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Transactions included in consolidated statement of profit or loss :</b>		
Gain on sale of available for sale investments	-	3,262
Interest income (Note 8)	11,690	32,222
Murabaha income	453,941	747,477
Dividend Income	434,814	385,932
Other income	448,800	420,000
Impairment of available for sale investments	(1,399,875)	-
Portfolio management fees	(1,949)	(3,553)
<b>Consolidated statement of financial position</b>		
Cash with portfolio manager	1,734	7,900
Murabaha receivable	-	15,040,060
Available for sale investments (Note 15)	9,480,503	8,661,086
Investments at fair value through profit or loss (Note 12)	126,306	187,736
Due from related parties (Note 13)	3,172,959	3,833,003
Due to related parties (Note 25)	(2,076,813)	(559,626)

The amounts due from/to related parties are interest free and are receivable/payable on demand.

#### Compensation of key management personnel

The remuneration of key management personnel of the group during the period was as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Compensation of key management personnel:</b>		
Short-term benefits	703,633	585,611
End of service benefits	175,874	119,563
	<b>879,507</b>	<b>705,174</b>

a) The following financial assets are managed by related parties:

	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Available for sale investments</b>		
Quoted equity securities	62,564	1,322,013
Mutual funds	87,398	199,307
<b>Investments at fair value through profit or loss</b>		
Quoted equity securities	43,396	50,148

b) The equity securities classified as available for sale investments with a carrying value of KD3,275,408 (quoted KD601,079, unquoted KD2,674,330, mutual funds KD Nil), [31 December 2014: KD8,275,251 (quoted KD578,753, unquoted KD2,674,330, mutual funds KD5,022,168)], are registered in the name of major shareholder of the parent company who has confirmed in writing that they hold these equity securities on behalf of the parent company (Note 15).

c) The real estate properties in Egypt classified as investment properties are registered in the name of a key management personnel who has confirmed in writing that he holds the investment property on behalf of the parent company.

## Notes to the consolidated financial statements (continued)

### 28 Capital commitments

	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Commitments</b>		
Purchase of available for sale investments	3,023,447	3,691,224
Purchase of investment in associates	2,042,895	-

### Contingencies

At the reporting date, the group has provided performance bank guarantees to a customer and suppliers amounting to KD5,262,141. (31 December 2014: KD4,611,835) from which it is anticipated that no material liabilities will arise.

The Parent Company and Al Khair National for Stocks and Real Estate Company have provided a guarantee to NBK against loan of KD72,672,640 assigned to a third party during 2012. This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

### 29 Segmental information

For management purposes, the Group is organised into business units based on nature of business and has two reportable operating segments as follows:

- i) Investment segment represents trading in equities including certain investment in associates and other strategic investments; and
- ii) Other segment represents rendering of non-investment services and general trading and contracting.

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.

	Investment		Other		Total	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Income</b>	4,217,660	9,109,837	14,097,980	8,752,170	18,315,640	17,862,007
<b>Segment profit (loss)</b>	(1,519,747)	4,351,677	1,998,950	854,573	479,203	5,206,250
<b>Other disclosures:</b>						
Depreciation (Note 20)	26,871	(22,975)	1,278,375	(901,251)	1,305,246	(924,226)
Impairments losses	1,491,930	-	-	-	1,491,930	-
Share of results of associate (Note 16)	313,416	3,922,278	248,265	215,603	561,681	4,137,881
<b>Assets</b>	125,890,239	153,769,094	32,273,780	27,466,967	158,164,019	181,236,061
<b>Liabilities</b>	44,749,048	64,286,498	11,421,547	9,639,990	56,170,595	73,926,488
<b>Other disclosures:</b>						
Investment in associates	45,122,851	47,004,887	1,619,332	1,371,068	46,742,183	48,375,955
Additions to property, plant and equipment	41,545	39,681	911,819	1,521,260	953,364	1,560,941

## Notes to the consolidated financial statements (continued)

### 29 Segmental information (continued)

#### Geographic information

The group operates in two geographic regions; Kuwait and Non-Kuwait. The following table shows the distribution of the group's segment income and non-current assets by region:

	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Income</b>		
Kuwait	17,457,370	14,032,067
Non-Kuwait	858,270	3,829,940
	<b>18,315,640</b>	<b>17,862,007</b>

The income information above is based on the location of the assets generating the income.

	31 Dec. 2015 KD	31 Dec. 2014 KD
<b>Non-current assets</b>		
Kuwait	84,377,090	94,362,901
Non-Kuwait	30,524,455	31,861,370
	<b>114,901,545</b>	<b>126,224,271</b>

### 30 Risk management objectives and policies

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

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance. Long term financial investments are managed to generate lasting returns.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The most significant financial risks to which the group is exposed to are described below.

#### 30.1 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 Kuwait and the Middle East and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Jordanian Dinar, Egyptian Pounds. The group's 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.

## Notes to the consolidated financial statements (continued)

### 30 Risk management objectives and policies (continued)

#### 30.1 Market risk (continued)

##### a) Foreign currency risk (continued)

The group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2015 KD	31 Dec. 2014 KD
US Dollar	(3,130,349)	2,011,390
Euro	1,542	3,412,018
Jordanian Dinar	7,035,806	5,846,631
Egyptian Pound	1,570,418	1,716,574
Others	23,947	3,224,816

The foreign currency sensitivity is determined based on 5% (2014: 5%), increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/(weakened) against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	31 Dec. 2015		31 Dec. 2014	
	Effect on profit KD	Effect on other comprehensive income KD	Effect on profit KD	Effect on other comprehensive income KD
US Dollar	(346,513)	189,995	88,878	11,695
Euro	77	-	298,516	-
Jordanian Dinar	133,464	218,326	206,836	85,303
Egyptian Pound	78,521	-	85,569	-
Others	1,044	153	160,760	485

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) Equity price risk

Equity price risk is the risk that fair values of equity securities decrease as a result of changes in the level of equity indices and the value of the individual stocks.

The group is exposed to equity price risk mainly to its quoted investments. To manage its equity price risk 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 price risks at the reporting date.



## Notes to the consolidated financial statements (continued)

### 30 Risk management objectives and policies (continued)

#### 30.1 Market risk (continued)

##### b) Equity price risk (continued)

If prices had been 5% higher/lower, the effect on the changes in profit and other comprehensive income for the years ended 31 December 2015 and 2014 and equity would have been as follows:

	Profit for the year		Other comprehensive income	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Available for sale investments	-	-	1,402,576	1,065,659
Investments at fair value through profit or loss	122,230	354,241	-	-

##### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term loans and bank overdrafts with floating interest rates. The effect on Group's profit due to change in the interest rate by 25 basis points, with all variables held constant is as follows

The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on the group's equity:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Effect on profit	(77,393)	(87,298)

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis

#### 30.2 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. It also obtains security when appropriate.

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
Bank balances (excluding cash)	11,824,602	11,069,742
Accounts receivable (excluding prepayments)	13,652,618	14,020,047
Murabaha receivable	-	15,040,060
Held-to-maturity investments	1,506,983	2,700,000
	<b>26,984,203</b>	<b>42,829,849</b>

Bank balances are maintained with high credit quality financial institutions. Accounts receivable and other assets are neither past due nor impaired.

## Notes to the consolidated financial statements (continued)

### 30 Risk management objectives and policies (continued)

#### 30.3 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 financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date.

Maturity profile of liabilities at 31 December 2015:

	Less than 3 months KD	3 to 12 months KD	Over 1 year KD	Total KD
<b>31 December 2015</b>				
Accounts payable and accruals	4,944,988	1,249,447	420,680	6,615,115
Term loans	13,535,330	24,867,838	12,161,372	50,564,540
Due to banks	809,217	-	-	809,217
	<b>19,289,535</b>	<b>26,117,285</b>	<b>12,582,052</b>	<b>57,988,872</b>
Commitments	-	2,983,562	2,082,780	5,066,342
Contingency – guarantee	-	5,262,141	72,672,640	77,934,781
	<b>19,289,535</b>	<b>34,362,988</b>	<b>87,337,472</b>	<b>140,989,995</b>
<b>31 December 2014</b>				
Accounts payable and accruals	4,266,613	-	-	4,266,613
Term loans	7,837,477	48,375,008	14,329,405	70,541,890
Due to banks	795,790	-	-	795,790
	<b>12,899,880</b>	<b>48,375,008</b>	<b>14,329,405</b>	<b>75,604,293</b>
Commitments	-	1,016,424	2,674,800	3,691,224
Contingency – guarantee	-	4,611,835	72,672,640	77,284,475
	<b>12,899,880</b>	<b>54,003,267</b>	<b>89,676,845</b>	<b>156,579,992</b>

### 31 Fair value measurement

#### 31.1 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)

### 31 Fair value measurement (continued)

#### 31.2 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
<b>Financial assets:</b>		
<i>Loans and receivables at amortised cost:</i>		
Cash and cash equivalents	11,962,493	11,070,292
Accounts receivable and other assets	17,589,760	14,520,646
Murabaha receivable	-	15,040,060
<i>Investments at fair value through profit or loss at fair value:</i>		
Investments at fair value through profit or loss	13,710,220	14,380,792
<i>Available for sale investments:</i>		
Available for sale investments at cost	7,806,587	9,238,203
Available for sale investments at fair value	41,906,442	48,350,012
<i>Held-to-maturity investment at amortised cost:</i>		
Held-to-maturity investment	1,506,983	2,700,000
	<b>94,482,485</b>	<b>115,300,005</b>
<b>Financial liabilities:</b>		
<i>Financial liabilities at amortised cost:</i>		
Accounts payable and other liabilities	6,721,079	4,266,613
Term loans	47,784,344	68,229,880
Due to banks	803,614	787,057
	<b>55,309,037</b>	<b>73,283,550</b>

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 statement of consolidated 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
<b>Investments at fair value through profit or loss</b>					
Quoted securities	(a)	2,904,006	-	-	2,904,006
Managed funds	(b)	-	133,580	-	133,580
Unquoted securities	(c)	-	-	10,672,634	10,672,634
<b>Available for sale investments</b>					
Quoted securities	(a)	28,721,641	-	-	28,721,641
Managed funds	(b)	-	7,639,841	-	7,639,841
Unquoted securities	(c)	-	-	5,544,960	5,544,960
		<b>31,625,647</b>	<b>7,773,421</b>	<b>16,217,594</b>	<b>55,616,662</b>

## Notes to the consolidated financial statements (continued)

### 31 Fair value measurement (continued)

#### 31.2 Fair value measurement of financial instruments (continued)

31 December 2014

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Investments at fair value through profit or loss</b>					
Quoted securities	(a)	3,085,825	-	-	3,085,825
Managed funds	(b)	-	622,333	-	622,333
Unquoted securities	(c)	-	-	10,672,634	10,672,634
<b>Available for sale investments</b>					
Quoted securities	(a)	39,144,267	-	-	39,144,267
Managed funds	(b)	-	9,205,745	-	9,205,745
Unquoted securities	(c)	-	-	-	-
		42,230,092	9,828,078	10,672,634	62,730,804

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

#### 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) Managed funds

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

##### c) Unquoted securities

Unlisted securities are measured at fair value estimated -using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

##### d) Financial liabilities

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

#### Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Opening balances	10,672,634	10,672,634
Transfers	2,159,329	-
Gains or losses recognised in:		
- Consolidated statement of profit or loss	-	-
- Other comprehensive income	3,385,631	-
Closing balance	16,217,594	10,672,634

## Notes to the consolidated financial statements (continued)

### 31 Fair value measurement (continued)

#### Level 3 fair value measurements (continued)

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

#### Available for sale investments and investment at fair value through profit or loss:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

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

#### 31.3 Non-financial instruments

Investment properties were fair valued at 31 December 2015 and are classified under level 3 fair value hierarchy and reconciliation is provided in note 17.

#### Description of significant unobservable inputs to valuation of non-financial assets:

Fair value of investment properties were determined using Mark to Market method, conducted by valuers considering transaction prices of the property and similar properties. The significant unobservable valuation input used for the purpose of valuation is the market price per square foot / meter and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

### 32 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 comprise 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, issue new shares or sell assets to reduce debt.

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

## Notes to the consolidated financial statements (continued)

### 32 Capital management objectives (continued)

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Interest bearing loans and borrowings	47,784,344	68,229,880
Accounts payable and accruals	6,721,079	4,266,613
Due to banks	803,614	787,057
Less: Bank balances and cash	(11,962,493)	(11,070,292)
Net debt	43,346,544	62,213,258
Capital	99,977,519	106,320,869
Total capital and net debt	143,324,063	168,534,127
Gearing ratio	30%	37%