

Consolidated financial statements and independent auditors' report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 December 2015

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Independent auditors' report

To the shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Industries Group Holding – KPSC ("The Parent Company") and its subsidiaries, (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and 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 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.

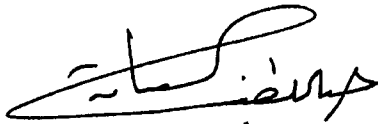
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of National Industries Group Holding 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 Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law and the Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or financial position of the Group.



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



Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Parker Randall (Allied Accountants)

Kuwait
23 March 2016

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Sales		139,877	126,563
Cost of sales		(107,269)	(96,918)
Gross profit		32,608	29,645
Income from investments	8	37,547	56,016
Share of results of associates	17	26,913	41,720
Gain on disposal of associates	17	417	1,140
Gain on disposal of investment properties	18	-	740
Changes in fair value of investment properties	18	1,283	4,138
Rental income		2,068	1,553
Interest and other income	9	5,690	1,359
Distribution costs		(7,187)	(6,651)
General, administrative and other expenses		(23,592)	(23,857)
Finance costs	11	75,747	105,803
Impairment in value of available for sale investments	19	(28,740)	(30,520)
Impairment in value of investment in associates	17	(9,851)	(28,205)
Impairment in value of intangible assets	15	(617)	(2,171)
Impairment in value of receivables and other assets	21	(2,010)	-
Loss on foreign currency exchange		(323)	(1,441)
		(3,671)	(3,752)
Profit before foreign taxation		30,535	39,714
Foreign taxation	12a	(801)	(1,590)
Profit before KFAS, NLST, Zakat and directors' remunerations		29,734	38,124
KFAS, NLST and Zakat	12b	(394)	(863)
Directors' remuneration		(430)	(430)
Profit for the year	13	28,910	36,831
Attributable to :			
Owners of the Parent		25,427	28,282
Non-controlling interests		3,483	8,549
		28,910	36,831
Basic and diluted earnings per share attributable to the owners of the Parent	14	19.2 Fils	21.3 Fils

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Profit for the year	28,910	36,831
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	(1,011)	4,974
Available for sale investments:		
- Net changes in fair value arising during the year	(72,787)	(15,596)
- Transferred to consolidated statement of profit or loss on disposal	(12,561)	(26,190)
- Transferred to consolidated statement of profit or loss on impairment	9,851	28,205
Share of other comprehensive income of associates		
- Changes in fair value	(9,119)	2,472
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	(85,627)	(6,135)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		
Defined benefit plan actuarial losses	(167)	(966)
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	(167)	(966)
Total other comprehensive income for the year	(85,794)	(7,101)
Total comprehensive income for the year	(56,884)	29,730
Total comprehensive income for the year attributable to:		
Owners of the parent	(40,112)	26,498
Non-controlling interests	(16,772)	3,232
	(56,884)	29,730

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Assets			
Non-current assets			
Goodwill and intangible assets	15	12,823	17,530
Property, plant and equipment	16	70,668	70,647
Investment in associates	17	337,187	330,968
Investment properties	18	89,482	61,425
Available for sale investments	19	493,909	616,919
Accounts receivable	21	1,550	2,102
Total non-current assets		985,619	1,099,591
Current assets			
Inventories	20	34,054	32,023
Available for sale investments	19	47,328	63,352
Accounts receivable and other assets	21	87,264	70,609
Murabaha and wakala investments	22	1,000	598
Investments at fair value through profit or loss	23	84,033	59,706
Short-term deposits	31	16,661	6,715
Bank balances and cash	31	43,383	53,354
Total current assets		313,723	286,357
Total assets		1,299,342	1,385,948
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	24	135,985	135,985
Treasury shares	25	(30,375)	(30,375)
Share premium	24	122,962	122,962
Cumulative changes in fair value	26	96,378	160,785
Other components of equity	26	28,827	27,167
Retained earnings		30,225	23,849
Equity attributable to owners of the parent		384,002	440,373
Non-controlling interests	26	128,909	146,729
Total equity		512,911	587,102
Non-current liabilities			
Long-term borrowings	27	437,845	370,254
Leasing creditors		424	478
Provisions	28	15,436	15,809
Total non-current liabilities		453,705	386,541
Current liabilities			
Accounts payable and other liabilities	29	49,621	55,178
Short-term borrowings	30	263,190	335,453
Due to banks	31	19,915	21,674
Total current liabilities		332,726	412,305
Total liabilities		786,431	798,846
Total equity and liabilities		1,299,342	1,385,948

Sa'ad Mohammed Al-Sa'ad
Chairman



Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Equity attributable to owners of the parent

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent							Non-controlling interests KD '000	Total KD '000
	Share Capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 26b) KD '000	Retained earnings KD '000	Sub-Total KD '000		
Balance as at 1 January 2014	129,510	(30,375)	122,962	164,439	18,552	10,344	415,432	147,976	563,408
Transactions with owners									
Issue of bonus shares (note 24c)	6,475	-	-	-	-	(6,475)	-	-	-
Acquisition of non-controlling interest of subsidiary	-	-	-	-	-	76	76	(804)	(728)
Amount due to non-controlling interests on reduction of share capital of subsidiary (note 26c)	-	-	-	-	-	-	-	(3,912)	(3,912)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(2,075)	(2,075)
Reallocation to non-controlling interests (note 26c)	-	-	-	-	38	(1,671)	(1,633)	1,633	-
Other net changes in non-controlling interests	-	-	-	-	-	-	-	679	679
Total transactions with owners	6,475	-	-	-	38	(8,070)	(1,557)	(4,479)	(6,036)
Comprehensive income									
Profit for the year	-	-	-	-	-	28,282	28,282	8,549	36,831
Other comprehensive income for the year [Actuarial losses and others] (notes 26 & 33)	-	-	-	(3,654)	2,836	(966)	(1,784)	(5,317)	(7,101)
Total comprehensive income for the year	-	-	-	(3,654)	2,836	27,316	26,498	3,232	29,730
Transfer from reserve of subsidiary (note 26b)	-	-	-	-	(690)	690	-	-	-
Reserve transfers of subsidiaries (note 26b)	-	-	-	-	6,431	(6,431)	-	-	-
Balance at 31 December 2014	135,985	(30,375)	122,962	160,785	27,167	23,849	440,373	146,729	587,102

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
OPERATING ACTIVITIES		
Profit before foreign taxation	30,535	39,714
Adjustments:		
Depreciation	6,506	6,848
Changes in fair value of investment properties	(1,283)	(4,138)
Gain on disposal of property, plant and equipment	-	(8)
Gain on disposal of associates	(417)	(1,140)
Gain on disposal of investment properties	-	(740)
Impairment in value of investment in associates	617	2,171
Share of results of associates	(26,913)	(41,720)
Dividend income from available for sale investments	(14,387)	(13,997)
Profit on sale of available for sale investments	(21,714)	(37,597)
Impairment in value of intangible assets	2,010	-
Impairment in value of receivable and other assets	323	1,441
Impairment in value of available for sale investments	9,851	28,205
Net provisions (released)/charged	(373)	3,121
Finance costs	28,740	30,520
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	(633)	(504)
	12,862	12,176
Changes in operating assets and liabilities:		
Inventories	(2,031)	(115)
Accounts receivable and other assets	6,329	(7,788)
Investments at fair value through profit or loss	(24,327)	5,493
Accounts payable and other liabilities	(6,173)	(1,104)
	(13,340)	8,662
Cash (used in)/from operations	(709)	(453)
KFAS and Zakat contribution paid	(743)	(543)
NLST paid	(437)	(601)
Taxation paid		
Net cash (used in)/from operating activities	(15,229)	7,065

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(8,594)	(7,160)
Proceeds from disposal of property, plant and equipment		95	214
Proceeds from disposal of investment properties		-	10,265
Additions to investment properties		(4,494)	(16,869)
Investment in associates		(3,922)	(2,490)
Dividend received from associate companies		10,676	9,122
Proceeds from disposal of associate		4,836	4,424
(Increase) / decrease in wakala investments maturing after three months		(402)	3,902
Decrease / (Increase) in blocked deposits		2,512	(1,413)
Purchase of available for sale investments		(11,279)	(22,446)
Proceeds from sale of available for sale investments		64,220	87,228
Dividend income received from available for sale investments		14,387	13,997
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments		336	453
Net cash from investing activities		68,371	79,227
FINANCING ACTIVITIES			
Finance lease payments		(257)	(189)
Net decrease in long-term borrowings		(42,899)	(32,815)
Net increase in short-term borrowings		38,227	8,515
Dividend paid to the owners of the parent		(15,026)	(36)
Finance costs paid		(28,076)	(30,030)
Change in non-controlling interests		(1,048)	(6,112)
Net cash used in financing activities		(49,079)	(60,667)
Net increase in cash and cash equivalents		4,063	25,625
Translation difference		183	117
		4,246	25,742
Cash and cash equivalents at beginning of the year		35,558	9,816
Cash and cash equivalents at end of the year	31	39,804	35,558

The notes set out on pages 10 to 81 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Group Holding – KPSC (“the Parent Company”) was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a “Holding Company”. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company’s shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

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

The address of the parent company’s registered office is PO Box 417, Safat 13005, State of 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 board of directors of the Parent Company approved these consolidated financial statements for issuance on 23 March 2016. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties, the measurement at fair value of investments at fair value through profit or loss, available for sale financial assets and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) and all values are rounded to the nearest thousand (KD ‘000), except when otherwise indicated.

The Group has elected to present the “statement of comprehensive income” in two statements: the “statement of profit or loss” and a “statement of profit or loss and comprehensive income”.

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 the International Accounting Standards Board (IASB).

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those used in previous year except as discussed below:

4.1 New and amended standards adopted by the Group

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

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

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

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

The amendment did not have any material impact to the Group's consolidated financial information.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) *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.

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

(iii) *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.

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

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

The amendment did not have any material impact to the Group's consolidated financial information.

Annual Improvements 2011–2013 Cycle

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Annual Improvements 2011-2013 Cycle (continued)

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

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

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

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

The amendment did not have any material impact to the Group's consolidated financial information.

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 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 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 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 July 2016

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

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

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

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, 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 statement of profit or loss and other comprehensive income. This will affect the Group's investment amounting to KD20,895 thousand (refer note 19 d) if still held on 1 January 2018.
- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in statement of profit or loss and other comprehensive income to the extent those changes relate to the group's own credit risk.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts 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 obligations

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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

The Group's management have yet to assess the impact of this standard on these consolidated financial statements.

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

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

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

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

These amendments are not expected to have any material impact on 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 (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.

These amendments are not expected to have any material on the Group's consolidated financial statements.

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.

The Group's management have yet to assess the impact of IFRS 16 on these Group consolidated financial statements.

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 all the 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 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.

These amounts are not expected to have any material impact on 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 (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.

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

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.

These amendments are not expected to have any material impact on the Group's consolidated 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.

These amendments are not expected to have any material impact on 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 (continued)

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 condensed interim 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.

These amendments are not expected to have any material impact to the Group's consolidated financial statements.

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1. Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. 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. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1. Basis of consolidation (continued)

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.2. Business combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2. 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 (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.3. Goodwill and intangible assets

5.3.1 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.13 for a description of impairment testing procedures.

5.3.2 Intangible assets

Identifiable non-monetary assets acquired in a business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of Indefeasible Rights of Use (IRU).

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.4. Investment in associates

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

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

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

The share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in 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 under a separate heading in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5. Segment reporting

The Group has four operating segments: Investment, building materials, specialist engineering and hotel and IT services 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.

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.

5.6. Revenue

Revenue arises from the sale of goods, rendering of services, investing activities and real estate activities. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates and trade discounts.

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. The following specific recognition criteria should also be met before revenue is recognised;

5.6.1. Sale of goods

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

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

When goods are sold together with customer loyalty incentives, the consideration receivable is allocated between the sale of goods and sale of incentives based on their fair values. Revenue from sale of incentives is recognised when they are redeemed by customers in exchange for products supplied by the Group.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

5.6.2. Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

5.6.3. Interest and similar income

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

Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

5.6.4. Dividend income

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

5.6.5. Revenue from sale of investment properties

Revenue from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the real estate to the purchaser and the amount of revenue can be reliably measured.

5.7. Operating expenses

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8. Borrowing costs

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

5.9. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 15 years
Motor vehicles	2 to 10 years
Furniture and equipment	4 to 10 years

Any increase arising on revaluation is credited directly to other comprehensive income as “revaluation reserve” except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of income over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.10. Leased assets

5.10.1. Finance lease

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

See note 5.9 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10. Leased assets (continued)

5.10.2. Operating lease

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term except where the lease terms are onerous in which case the provision is made for the net present value of the probable liability. Associated costs, such as maintenance and insurance, are expensed as incurred.

5.11. 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 re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

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

5.12. Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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 the asset or 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Impairment testing of goodwill and non financial assets (continued)

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

5.13. Financial instruments

5.13.1. 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. Subsequent measurement of financial assets and financial liabilities are described below.

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.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13. Financial instruments (continued)

5.13.2. 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)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

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

All material income and expenses relating to financial assets that are recognised in profit or loss are presented within income from investments, interest & other income or under a separate heading in the consolidated statement of profit or loss.

• *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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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:

• *Murabaha investments / receivables*

Murabaha 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 receivables which arise from the Group's financing of long-term transactions 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.

All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13. Financial instruments (continued)

5.13.2. Classification and subsequent measurement of financial assets (continued)

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the Wakala.

- *Loans and advances*

Loans and advances 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.

- *Bank balances cash and Short term deposits*

Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- *Receivables and other financial assets*

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

Loans and receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

- *Financial assets at FVTPL*

Classification of investments as financial assets at FVTPL depends on how management monitors the performance of these investments. Investments at FVTPL are either "held for trading" or "designated" as such on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. 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 statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

All derivative financial instruments fall into the category of FVTPL, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in 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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- *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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13. Financial instruments (continued)

5.13.2. Classification and subsequent measurement of financial assets (continued)

- *HTM investments (continued)*

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. The Group currently has not classified any assets in to this category.

- *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 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 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 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 profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

5.13.3. Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trust certificates issued, borrowings, leasing creditors, due to banks, trade payables and other liabilities and derivative financial instruments.

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

- *Financial liabilities other than at fair value through profit or loss (FVTPL)*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13. Financial instruments (continued)

5.13.3. Classification and subsequent measurement of financial liabilities (continued)

- *Borrowings*
All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.
- *Wakala payables*
Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.
- *Murabaha finance payables*
Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.
- *Ijara financing*
Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.
- *Leasing and hire purchase payables*
Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges are included in liabilities. Finance charges in respect of such liabilities are charged to the consolidated statement of profit or loss as incurred.
- *Accounts payables and other financial liabilities*
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as “Other financial liabilities”

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss, are included within finance costs or other income.
- *Financial liabilities at fair value through profit or loss (FVTPL)*
Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13. Financial instruments (continued)

5.13.3. Classification and subsequent measurement of financial liabilities (continued)

- *Derivative financial instruments*

Where the Group uses derivative financial instruments, such as interest rate swaps to mitigate its risks associated with interest rate fluctuations, such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives, if any, are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of profit or loss.

5.13.4. 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.

5.13.5. Offsetting of financial instruments

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

5.13.6. Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

5.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15. Equity, reserves and dividend payments

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

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the 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 KD and the Group's share of foreign currency translation reserves shown in the associates statement of financial position.
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

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

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

5.16. 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 "gain on sale of 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.

5.17. 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18. Foreign currency translation

5.18.1. Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. 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.

5.18.2. 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 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. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of income and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.18.3. 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.

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/liquidation of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal/liquidation.

5.19. End of service indemnity

The parent and its local subsidiaries 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.

5.20. Pensions (Related to the foreign subsidiaries)

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisors.

Contributions to defined contribution schemes are charged to the consolidated statement of profit or loss on an accrual basis.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.20. Pensions (Related to the foreign subsidiaries (continued))

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of profit or loss and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised actuarial gains and losses, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised in full in other comprehensive income.

5.21. Share-based Payment

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

5.22. Taxation

5.22.1. 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. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

5.22.2. 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 Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.22.3. 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.

For the year ended 31 December 2014 and 2015, the Parent Company has no liability towards NLST, KFAS and Zakat due to tax losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.22.4. Withholding taxes

The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.22. Taxation (continued)

5.22.5. 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.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.23. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

5.24. Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

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. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or profit or loss and other comprehensive income.

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 profit or loss in the management accounts, they are classified as fair value through profit or loss.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1. Significant management judgments (continued)

6.1.1. Classification of financial instruments (continued)

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

All other financial assets are classified as available for sale.

6.1.2. Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

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 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.

6.1.4. Equity method accounting for entities in which the Group holds less than 20% of the voting rights

Management has assessed the level of influence that the Group has over its material associate, Mabane Company - KPSC and determined that it has significant influence even though the share holding in this associate is below 20%, because of the factors mentioned in note 17.3. Consequently, this investment has been classified as an associate and has been accounted for using the equity method.

6.2. Estimates uncertainty

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

6.2.1 Impairment of goodwill and other intangible assets

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

During the 2015 the Group recognised an impairment loss of KD2,010 thousand (2014: KD Nil thousand) against certain intangible assets.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.2. *Impairment of associates*

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

During the 2015 the Group recognised an impairment loss of KD617 thousand (2014: KD2,171 thousand) against investments in associates.

6.2.3. *Impairment of available for sale equity investments*

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

During the 2015 the Group recognised an impairment loss of KD9,851 thousand (2014: KD28,205 thousand) against available for sale investments.

6.2.4. *Impairment of loans and receivables*

The Group's management reviews periodically items classified as loans and receivables (including wakala investments note 22) to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

During the 2015 the Group has recognised impairment losses of KD323 thousand (2014: KD1,441 thousand) against loans and receivables.

6.2.5. *Impairment of inventories*

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

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

At the financial position date, gross inventories were KD35,414 thousand (2014: KD33,571 thousand), with provision for old and obsolete inventories of KD1,360 thousand (2014: KD1,548 thousand). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.6. *Useful lives of depreciable/amortisable assets*

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

6.2.7. *Fair value of financial instruments*

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

6.2.8. *Revaluation of investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

6.2.9. *Defined benefits obligation*

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses (as analysed in note 33).

6.2.10. *Provision for foreign taxation*

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made (refer note 12.a).

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest	
			31 Dec. 2015 %	31 Dec. 2014 %
Al Durra National Real Estate – KSC (Closed)	Kuwait	Real Estate	97*	97*
National Combined Industries Holding Company for Energy – KSC (Closed)	Kuwait	Investments	96*	96*
Pearl National Holding – KSC (Closed)	Kuwait	Investments	99*	99*
Economic Holding Company – KSC (Closed)	Kuwait	Investments	97*	97*
NIG (Guernsey) Limited	Guernsey	Specialist Engineering	100	100
BI Group Plc	United Kingdom	Specialist Engineering	100	100
Proclad Group Limited	UAE	Specialist Engineering	100	100
NI Group (Bahrain) EC	Bahrain	Investments	100	100
Eagle Proprietary Investments Limited	UAE	Investments	100	100
Pearl Offshore Enterprises Limited	BVI	Investments Holdings	100	100
Denham Investment Limited	Cayman Islands	Investments	85	85
Ikarus Petroleum Industries Company – KPSC	Kuwait	Petroleum	72	72
National Industries Company - KPSC	Kuwait	Industrial	51	51
Noor Financial Investment Company – KPSC	Kuwait	Investments	51	51

* The Group's holding of these subsidiaries are 100% and the remaining stake is held by nominees on its behalf.

7.2 Subsidiaries with material non-controlling interests

The Group includes three subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Noor Financial Investment Company - KPSC (NFI)	49%	49%	(1,935)	2,349	47,507	48,377
National Industries Company - KPSC (NIC)	49%	49%	3,921	3,418	55,802	51,444
Ikarus Petroleum Industries Company – KPSC (IPI)	28%	28%	1,896	2,831	20,171	41,123
Individual immaterial subsidiaries with non-controlling interests			(399)	(49)	5,429	5,785
			3,483	8,549	128,909	146,729

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 December 2015			31 December 2014		
	NFI KD '000	NIC KD '000	IPI KD '000	NFI KD '000	NIC KD '000	IPI KD '000
Non-current assets	140,558	69,206	66,635	143,232	69,061	165,838
Current assets	45,632	44,556	37,444	57,341	41,887	15,502
Total assets	186,190	113,762	104,079	200,573	110,948	181,340
Non-current liabilities	100,636	5,642	25,449	106,909	5,451	30,364
Current liabilities	21,715	12,680	8,667	29,985	13,299	6,681
Total liabilities	122,251	18,322	34,016	136,894	18,750	37,045
Equity attributable to the shareholders of the Parent Company	22,047	46,635	50,233	22,962	45,298	103,454
Non-controlling interest (including non controlling interests in the subsidiary's statement of financial position)	41,892	49,905	19,830	40,717	46,900	40,841
	For the year ended 31 December 2015			For the year ended 31 December 2014		
	NFI KD '000	NIC KD '000	IPI KD '000	NFI KD '000	NIC KD '000	IPI KD '000
Revenue	32,288	49,884	9,476	31,610	48,865	14,212
Profit/ (loss) for the year attributable to the shareholders of the Parent Company	640	3,889	(5,619)	466	3,731	7,251
Loss/ (profit) for the year attributable to NCI	(2,236)	4,020	(2,218)	(414)	3,629	2,862
(Loss)/ profit for the year	(1,596)	7,909	(7,837)	52	7,360	10,113
Other comprehensive income for the year attributable to the shareholders of the Parent Company	(1,232)	(969)	(41,838)	1,559	743	(22,668)
Other comprehensive income for the year attributable to NCI	492	(874)	(16,517)	1,637	786	(8,949)
Total other comprehensive income for the year	(740)	(1,843)	(58,355)	3,196	1,529	(31,617)
Total comprehensive income for the year attributable to the shareholders of the Parent Company	(592)	2,920	(47,457)	2,025	4,474	(15,417)
Total comprehensive income for the year attributable to NCI	(1,744)	3,146	(18,735)	1,223	4,415	(6,087)
Total comprehensive income for the year	(2,336)	6,066	(66,192)	3,248	8,889	(21,504)
Dividends paid to non controlling interests	(115)	(2,697)	(2,178)	-	-	(2,075)

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

	For the year ended 31 December 2015			For the year ended 31 December 2014		
	NFI KD '000	NIC KD '000	IPI KD '000	NFI KD '000	NIC KD '000	IPI KD '000
Net cash flow from operating activities	6,975	6,663	(1,464)	12,404	15,171	(1,262)
Net cash flow from investing activities	10,179	(7,998)	14,146	5,106	(3,660)	8,192
Net cash flow from financing activities	(13,935)	(3,293)	(12,500)	(19,084)	(6,367)	(7,208)
Net cash inflow/ (outflow)	3,219	(4,626)	182	(1,574)	5,144	(278)

7.3 Acquisition of subsidiary

During the previous year, one of the Group's local subsidiaries acquired 60% equity stake in Cable Sat Satellite Service Company, a Kuwait Limited Liability Company (engaged in renting and sale of indefeasible right of use) and the acquisition was accounted in accordance with IFRS 3 as follows:

	KD '000
Total consideration	2,511
Value of non-controlling interests	638
Less : Recognized amounts of identifiable assets acquired and liabilities assumed	3,149
Cash and Bank balances	1
Trade and other receivable	46
Intangible assets (note 15.2)	8,326
Trade and other payable	(5,224)
Total identifiable net assets	3,149
Goodwill	-

The purchase price allocation was finalised in 2015 based on negotiations of acquisition terms as disclosed in note 15.2.

- 7.4 Certain non-controlling interests in the above subsidiary companies are held on behalf of the Parent Company by third party nominees.
- 7.5 Pearl Offshore Enterprises Limited is a special purpose vehicle (SPV) which was incorporated during the year 2011 and total assets with a carrying value of KD119,358 thousand (2014: KD103,631 thousand) and total liabilities of KD69,371 thousand (2014: KD66,876 thousand) of the Parent Company are held by the SPV.

8 Income from investments

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Dividend income:		
- From investments at fair value through profit or loss	685	1,633
- From available for sale investments	14,387	13,997
Profit on sale of available for sale investments	21,714	37,597
Realised gain on investments at fair value through profit or loss	466	1,617
Unrealised gain on investments at fair value through profit or loss	295	1,172
	37,547	56,016

Notes to the consolidated financial statements (continued)

9 Interest and other income

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Interest/profit on bank balances, short term deposits, murabaha and wakala investments	633	504
Income from financing of future trade by customers	281	351
Service income	225	65
Management and placement fees	1,810	54
Gain on disposal of property, plant and equipment	-	8
Net gain relating to liquidated/disposed foreign subsidiaries*	1,802	-
Others	939	377
	5,690	1,359

* The gain has mainly resulted from the net realisation of the positive foreign currency translation reserves which were booked in the previous years in equity with regard to the liquidated/disposed foreign subsidiaries.

10 Net gain or (loss) on financial assets

Net gain or (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Loans and receivables		
- bank balances and short term deposits	390	326
- murabaha and wakala investments	243	178
- accounts receivable and other assets (income from future trade)	281	351
- impairment in value of receivable and other assets	(323)	(1,441)
At fair value through profit or loss		
- held for trading	(911)	3,172
- designated as such on initial recognition	2,357	1,250
Available for sale investments		
- recognised in other comprehensive income (including non-controlling interests share)	(75,497)	(13,581)
- recycled from other comprehensive income to consolidated statement of profit or loss		
• On impairment	(9,851)	(28,205)
• On disposal	12,561	26,190
- recognised directly in consolidated statement of profit or loss	23,540	25,404
	(47,210)	13,644
Net gain recognised in the consolidated statement of profit or loss	28,287	27,225
Net loss recognised in the other comprehensive income	(75,497)	(13,581)
	(47,210)	13,644

11 Finance costs

Finance costs relate mainly to due to banks, short and long term borrowings, and lease creditors. All these financial liabilities are stated at amortised cost.

Notes to the consolidated financial statements (continued)

12 Taxation and other statutory contributions

(a) Foreign taxation

*Taxation of foreign subsidiaries**

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Current tax expense		
Current year charge	(388)	(56)
Deferred tax expense		
Current year charge	(124)	(211)
	(512)	(267)
<i>Other taxation - local subsidiary **</i>		
Current year charge	(289)	(334)
Under provision in relation to previous years	-	(989)
	(289)	(1,323)
	(801)	(1,590)

(b) KFAS, NLST and Zakat of local subsidiaries ***

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(84)	(173)
Provision for National Labour Support Tax (NLST)	(222)	(470)
Provision for Zakat	(88)	(220)
	(394)	(863)

*The above tax is calculated based on the tax law adopted in United Kingdom.

** The above represents tax related to dividend income received from investments in a GCC Country. During the fourth quarter of previous year, one of the Subsidiary's discovered that their maybe a potential tax liability on dividend income received from foreign entities located in a GCC country (at the rate of 5%), which the Subsidiary's management was not aware of in the past. No tax claims or assessments have been made by any regulatory authority as of date. However based on advice received from consultants and other information available to the Subsidiary's management, on a conservative basis, the Group provided an amount of KD1,323 thousand at the end of 31 December 2014. Accordingly, during the year, the Group has also made a provision of KD216 thousand on any taxes which may arise on the dividend income recognised as income up to 30 June 2015. The provisions have been included under accounts payable and other liabilities. Further, during the current year, the Subsidiary has received dividend from a foreign entity located in a GCC country, and such dividend has been received net of taxes amounting to KD73 thousand as the portfolio manager has deducted the relevant tax from the account. However the Group has decided to gross up the dividend income by the amount of KD73 thousand and show it separately as tax expenses.

Notes to the consolidated financial statements (continued)

12 Taxation and other statutory contributions (continued)

*** The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current year (2014: Nil) as the net taxable results attributable to the Parent Company was a loss.

13 Profit for the year

Profit for the year is stated after charging:

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Staff costs	30,678	32,258
Depreciation	6,506	6,848

The number of staff employed by the Parent Company at 31 December 2015 was 67 (2014: 73).

14 Basic and diluted earnings per share attributable to the owners of the Parent

Earnings per share are calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year 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 '000)	25,427	28,282
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	1,325,056,996	1,325,056,996
Basic and diluted earnings per share	19.2 Fils	21.3 Fils

15 Goodwill and intangible assets

15.1 Goodwill

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Balance at 1 January	9,245	9,221
Adjustments	-	34
Foreign exchange adjustment	10	(10)
	9,255	9,245

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill of KD2,029 thousand (31 December 2014: KD2,029 thousand) and KD7,226 thousand (31 December 2014: KD7,216 thousand) has been allocated to the IT service business and specialist engineering unit of the Group, respectively as these are the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Notes to the consolidated financial statements (continued)

15 Goodwill and intangible assets (continued)

15.1 Goodwill (continued)

Impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption Basis used to determine value to be assigned to key assumption

Growth rates Anticipated average growth rate of 0% to 5% (2014: 0% to 10%) per annum. Value assigned reflects past experience and changes in economic environment.
Cash flows beyond the five-year period have been extrapolated using a growth rate of 0% to 3% (2014: 0% to 3%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.

Discount rates Discount rates of 3.5% to 16.9% (2014: 3.5% to 22%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

15.2 Intangible assets – Indefeasible right of use (IRU)

Intangible asset comprises of indefeasible right of use (IRU) to a telecommunication asset arising from a subsidiary acquired during 2014 and the movement is as follows::

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Cost		
At the beginning of the year	8,326	-
Addition due to acquisition of a subsidiary (note 7.3)	-	8,326
Reduction in the cost due to re-negotiation of the terms	(2,685)	-
Impairment in value during the year	(2,010)	-
Balance at the end of the year	3,631	8,326
Accumulated amortization		
At the beginning of the year	(41)	-
Charge for the year	(22)	(41)
At the end of the year	(63)	(41)
Net book value at the end of the year	3,568	8,285
Total goodwill and intangible assets	12,823	17,530

This represents an intangible asset in the form of an indefeasible right of use (IRU) to a telecommunication asset carried at KD3,568 thousand (31 December 2014: KD8,285 thousand) arising from a subsidiary. During the current year the subsidiary re-negotiated the financial and other terms of its use and accordingly, as per the new contractual terms its carrying value and that of the related liability has reduced by KD2,685 thousand and KD2,605 thousand respectively. Consequently, based on the information available, the Group's management has recognised an impairment of KD2,010 thousand which includes net cancellation charges of KD456 thousand related to the previous contract.

Notes to the consolidated financial statements (continued)

16 Property, plant and equipment

Year ended 31 December 2015

Cost or valuation	Land KD '000	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
At 1 January 2015	1,415	16,427	547	37,738	82,967	11,160	14,020	2,766	3,384	170,424
Foreign exchange adjustments	53	220	2	86	(52)	(3)	(1)	(51)	-	254
Additions/transfer/ consolidation of new subsidiaries	-	107	50	264	6,321	558	490	325	479	8,594
Transfer to Investment properties (note 18)	-	-	-	(2,280)	-	-	-	-	-	(2,280)
Disposals	-	-	-	(916)	(688)	(33)	(138)	-	-	(1,775)
At 31 December 2015	1,468	16,754	599	34,892	88,548	11,682	14,371	3,040	3,863	175,217
Accumulated depreciation and impairment losses										
At 1 January 2015	-	3,406	44	24,229	51,046	9,779	9,665	1,608	-	99,777
Foreign exchange adjustments	-	133	3	19	(189)	2	(2)	(20)	-	(54)
Charge for the year	-	593	6	764	3,918	669	374	182	-	6,506
Relating to disposals	-	-	-	(916)	(596)	(33)	(135)	-	-	(1,680)
At 31 December 2015	-	4,132	53	24,096	54,179	10,417	9,902	1,770	-	104,549
Net book value										
At 31 December 2015	1,468	12,622	546	10,796	34,369	1,265	4,469	1,270	3,863	70,568

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction mainly represents the cost incurred, on the expansion of one of the subsidiaries existing factories and the construction of a manufacturing lines by a subsidiary. During the prior years, portions of the manufacturing lines which were completed and ready for intended use were capitalised in the appropriate categories. The costs relating to the remaining manufacturing lines and facilities will be transferred to the appropriate asset categories when the assets are ready for their intended use.

Notes to the consolidated financial statements (continued)

16 Property, plant and equipment (continued)

Year ended 31 December 2014

Cost or valuation	Land KD '000	Freehold property KD '000	Leasehold property KD '000	Property on leasehold land KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery & vehicles KD '000	Property under construction KD '000	Total KD '000
At 1 January 2014	1,365	16,710	71	35,244	84,394	10,850	13,672	2,712	3,371	168,389
Foreign exchange adjustments	50	(47)	-	82	(437)	54	6	(115)	-	(407)
Additions/transfer/ consolidation of new subsidiaries	-	(236)	476	2,412	3,460	452	414	169	13	7,160
Write off	-	-	-	-	(7)	(166)	(72)	-	-	(245)
Disposals	-	-	-	-	(4,443)	(30)	-	-	-	(4,473)
At 31 December 2014	1,415	16,427	547	37,738	82,967	11,160	14,020	2,766	3,384	170,424
Accumulated depreciation and impairment losses										
At 1 January 2014	-	2,768	42	23,416	51,517	9,202	9,205	1,527	-	97,677
Foreign exchange adjustments	-	2	(3)	15	(211)	4	5	(78)	-	(266)
Charge for the year	-	636	5	798	3,991	755	504	159	-	6,848
Write off	-	-	-	-	(7)	(159)	(49)	-	-	(215)
Relating to disposals	-	-	-	-	(4,244)	(23)	-	-	-	(4,267)
At 31 December 2014	-	3,406	44	24,229	51,046	9,779	9,665	1,608	-	99,777
Net book value										
At 31 December 2014	1,415	13,021	503	13,509	31,921	1,381	4,355	1,158	3,384	70,647

Notes to the consolidated financial statements (continued)

17 Investment in associates

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and principal place of business	Nature of business	Percentage ownership	
			31 Dec. 2015	31 Dec. 2014
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	49	49
Privatization Holding Company – KPSC (Quoted)	Kuwait	Financial services	33	33
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	26	26
Airport International Group - P.S.C	Jordan	Airport operations	24	24
Mabane Company - KPSC - (Quoted)	Kuwait	Real estate	18	18
			31 Dec. 2015	31 Dec. 2014
			KD '000	KD '000
Movement during the year is as follows:				
Balance at 1 January			330,968	294,406
Additions during the year			3,922	2,490
Share of results			26,913	41,720
Share of other comprehensive income			(9,119)	2,472
Dividend received			(10,676)	(9,122)
Disposal of associates			(4,419)	(3,284)
Impairment in value			(617)	(2,171)
Foreign currency translation adjustment			296	4,457
Other adjustments			(81)	-
Balance at the end of the year			337,187	330,968

- 17.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.
- 17.2 A major portion of an associate with a carrying value of KD123,959 thousand (2014: KD Nil) is kept in a custody portfolio account with specialised institution (note 27c).
- 17.3 During the current year, the Group partially disposed an insignificant stake of Mabane Company KPSC which resulted in a net gain of KD395 thousand (2014: KD1,140 thousand). Although the Group owns 18 % of the investee, the Group exercises significant influence over the associate by way of board representation.
- 17.4 Summarised financial information in respect of each of the Group's material associates named above, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.4.1 Mabane Company - KPSC

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Non-current assets	1,024,568	902,948
Current assets	38,061	32,389
Non-current liabilities	(269,614)	(196,673)
Current liabilities	(44,178)	(59,004)
Non controlling interest	(374)	(444)
Equity attributable to the shareholders of the associate	748,463	679,196

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Revenue	84,993	186,718
Profit for the year	77,381	178,686
Other comprehensive income for the year	3,008	2,170
Total comprehensive income for the year	80,389	180,856
Dividends received from the associate during the year	1,999	3,260

A reconciliation of the above summarised financial information to the carrying amount of the investment in Mabane Company - KPSC is set out below:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Net assets of the associate attributable to the shareholders of the associate	748,463	679,196
Proportion of the Group's ownership interest	17.51%	18.04%
Interest in the associate	131,056	122,527
Goodwill	10,819	11,146
Other Adjustments	303	411
Carrying value of the investment	142,178	134,084

As at 31 December 2015 the fair value of the Group's interest in Mabane Company - KPSC, which is listed on the Kuwait Stock Exchange was KD136,892 thousand (2014: KD126,617 thousand), based on the quoted market price available on the exchange, which is a level 1 Input in terms of IFRS 13.

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.4.2 Kuwait Cement Company – KPSC

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Non-current assets	233,711	252,242
Current assets	66,056	75,987
Non-current liabilities	(68,464)	(86,409)
Current liabilities	(44,634)	(41,973)
Equity	186,669	199,847

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Revenue	69,534	59,536
Profit for the year	16,301	14,080
Other comprehensive income for the year	(10,611)	4,457
Total comprehensive income for the year	5,690	18,537
Dividends received from the associate during the year	3,381	3,381

A reconciliation of the above summarised financial information to the carrying amount of the investment in Kuwait Cement Company – KPSC is set out below:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Net assets of the associate attributable to the shareholders of the associate	186,669	199,847
Proportion of the Group's ownership interest in the associate	25.617%	25.617%
Interest in the associate	47,819	51,195
Goodwill	14,893	14,893
Other Adjustments	4,421	4,371
Carrying value of the investment	67,133	70,459

As at 31 December 2015 the fair value of the Group's interest in Kuwait Cement Company – KPSC, which is listed on the Kuwait Stock Exchange was KD71,382 thousand (2014: KD71,382 thousand), based on the quoted market price available on the exchange, which is a level 1 Input in terms of IFRS 13.

17.4.3 Meezan Bank Ltd.

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Non-current assets	426,873	246,520
Current assets	1,126,181	1,043,025
Non-current liabilities	(118,006)	(103,427)
Current liabilities	(1,351,779)	(1,108,860)
Equity	83,269	77,258

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.4.3 Meezan Bank Ltd. (continued)

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Revenue	95,955	53,308
Profit for the year	14,887	22,460
Other comprehensive income for the year	511	(1,109)
Total comprehensive income for the year	15,398	21,351
Dividends received from the associate during the year	3,883	2,481

A reconciliation of the above summarised financial information to the carrying amount of the investment in Meezan Bank Ltd is set out below:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Net assets of the associate attributable to the shareholders of the associate	83,269	77,258
Proportion of the Group's ownership interest in the associate	49.11%	49.11%
Interest in the associate	40,893	37,941
Goodwill	9,182	9,262
Carrying value of the investment	50,075	47,203

As at 31 December 2015 the fair value of the Group's interest in Meezan Bank Ltd, which is listed on the Karachi Stock Exchange was KD65,290 thousand (2014: KD67,661 thousand), based on the quoted market price available on that exchange, which is a level 1 input in terms of IFRS 13.

Share of results of associates includes KD419 thousand (2014: KD4,035 thousand) which represents the Group's share of gain on bargain purchase recognised by Meezan Bank Limited. This has been designated as distributable only for stock dividends with prior approval of the regulator in Pakistan.

17.4.4 Privatization Holding Company – KPSC

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Non-current assets	114,902	144,313
Current assets	43,262	39,311
Non-current liabilities	(11,542)	(28,514)
Current liabilities	(44,628)	(41,630)
Non controlling interests	(2,016)	(894)
Equity	99,978	112,586

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.4.4 Privatization Holding Company – KPSC (continued)

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Revenue	18,316	13,539
Profit for the year	110	4,326
Other comprehensive income for the year	(119)	5,867
Total comprehensive income for the year	(9)	10,193
Dividends received from the associate during the year	1,102	-

A reconciliation of the above summarised financial information to the carrying amount of the investment in Privatization Holding Company – KPSC is set out below:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Net assets of the associate attributable to the shareholders of the associate	99,978	112,586
Proportion of the Group's ownership interest in the associate	33.3%	33.3%
Interest in the associate	33,293	37,491
Other Adjustments	(4,571)	(3,843)
Carrying value of the investment	28,722	33,648

As at 31 December 2015 the fair value of the Group's interest in Privatization Holding Company – KPSC, which is listed on the Kuwait Stock Exchange was KD12,280 thousand (2014: KD12,157 thousand), based on the quoted market price available on the exchange, which is a level 1 Input in terms of IFRS 13.

17.4.5 Airport International Group P.S.C

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Non-current assets	274,263	254,283
Current assets	62,644	41,588
Non-current liabilities	(126,406)	(117,639)
Current liabilities	(85,878)	(52,737)
Equity	124,623	125,495

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Revenue	63,525	55,973
Loss for the year	(10,051)	(11,379)
Other comprehensive income for the year	2,384	(1,570)
Total comprehensive income for the year	(7,667)	(12,949)

Notes to the consolidated financial statements (continued)

17 Investment in associates (continued)

17.4.5 Airport International Group P.S.C (continued)

A reconciliation of the above summarised financial information to the carrying amount of the investment in Airport International Group P.S.C is set out below:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Net assets of the associate attributable to the shareholders of the Group	124,623	125,495
Proportion of the Group's ownership interest	24%	24%
Interest in the associate	29,910	30,119
Other Adjustments	757	418
Carrying value of the investment	30,667	30,537

Airport International Group P.S.C, is an unquoted investment.

17.5 Aggregate information of associates that are not individually material to the Group

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
The Group's share of result for the year	4,250	(3,861)
The Group's share of other comprehensive income for the year	(7,711)	(93)
The Group's share of total comprehensive income	(3,461)	(3,954)
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	18,412	15,037
Aggregate Dividends received from the associates during the year	311	-

17.6 The Group's share of associates' contingent liabilities amounted to KD109,461 thousand (2014: KD91,859 thousand). This includes the group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD65,495 thousand (2014: KD55,875 thousand).

18 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Fair value as at 1 January	61,425	49,943
Additions	4,494	16,869
Disposal	-	(9,525)
Reclassification from property, plant and equipment (c)	2,280	-
Change in fair value	1,283	4,138
	69,482	61,425

Notes to the consolidated financial statements (continued)

18 Investment properties (continued)

Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Kuwait	62,530	54,506
Saudi	6,205	6,163
Jordan	431	415
UAE	316	341
Total	69,482	61,425

- Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers. (refer note 36 for details).
- Investments properties amounting to KD39,055 thousand (2014: KD34,040 thousand) are secured against bank loans and other Islamic financing arrangements (refer note 27).
- During the year, one of the subsidiaries of the Group has transferred one of its buildings with a carrying value of KD2,280 thousand from owner occupied property to investment properties based on the change in use as it was rented out during the year. The fair value of the property as per the independent valuation obtained as of the transfer date approximates the transfer value.
- During the year, borrowing cost of KD297 thousand (2014: KD280 thousand) has been capitalised to investment properties under development.

19 Available for sale investments

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Non Current		
Managed funds		
- Local	483	2,500
- Foreign	115,303	120,835
	115,786	123,335
Unquoted equity participations		
- Local	23,779	23,781
- Foreign	165,479	176,375
	189,258	200,156
Quoted shares		
- Local	78,736	104,398
- Foreign	110,129	189,030
	188,865	293,428
	493,909	616,919
Current		
Quoted shares (a)		
- Local	46,851	63,061
- Foreign	477	291
	47,328	63,352
	541,237	680,271

Notes to the consolidated financial statements (continued)

19 Available for sale investments (continued)

- a) The quoted shares classified as current at 31 December represents the remaining investments from those which were transferred from investments at fair value through profit or loss as of 1 July 2008 (refer note 23 a).
- b) Managed funds include investments in private equity funds with a carrying value of KD26,647 thousand (2014: KD30,559 thousand). 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) At the end of the year, the Group recognised an impairment loss of KD4,016 thousand (2014: KD12,826 thousand) for certain local and foreign quoted shares, as the market value of these shares at reporting dates declined significantly below their costs. Further the Group also recognised an impairment loss of KD5,835 thousand (2014: KD15,379 thousand) against certain unquoted shares, local and foreign funds based on estimates made by management as per information available to them and the net assets values reported by the investment managers.
- d) Unquoted investments and managed funds of KD20,895 thousand (2014: KD57,520 thousand) are carried at cost less impairment in value if any, since their fair value cannot be reliably determined. The Group's management is not aware of any circumstance that would indicate impairment/further impairment in value of these investments.
- e) During the year, one of the local subsidiaries of the Group entered into an agreement with a foreign party to dispose foreign unquoted shares with a carrying value of KD27,624 thousand for a consideration of KD29,977 thousand (net of taxes) resulting a net gain of KD2,353 thousand being recognised in the consolidated statement of profit or loss under "profit on sale of available for sale investments". The Group has received an amount of KD7,518 thousand from the total selling price and the remaining balance amounting to KD22,459 thousand was included under "accounts receivables and other assets" in the consolidated statement of financial position.
- f) During the year, the Group sold to its associates quoted investment with a carrying value of KD949 thousand for a consideration of KD975 thousand which resulted in a net gain of KD26 thousand and the consideration due has been reduced from the balance due to associates.
- g) Investments with a fair value of KD181,450 thousand (2014: KD200,309 thousand) are secured against short term borrowings (refer note 30) and long term borrowings (refer note 27).

20 Inventories

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Finished goods and work-in-progress	15,578	16,313
Raw materials and consumables	15,178	13,626
Spare parts and others	3,626	3,219
Goods in transit	1,032	413
	35,414	33,571
Provision for obsolete and slow moving inventories	(1,360)	(1,548)
	34,054	32,023

Notes to the consolidated financial statements (continued)

21 Accounts receivable and other assets

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Financial assets		
Net trade receivables	28,689	26,271
Net amount due on disposal of foreign investment properties (b)	972	938
Amounts due on sale of investments (d)	32,056	21,615
Due from associates	1,870	1,724
Due from other related parties	2,476	955
Due from key management personnel	231	233
Advance payments to acquire investments	-	68
Due from Kuwait Clearing Company (future trade)	4,846	5,250
Due from investment brokerage companies	1,698	2,124
Interest and other accrued income	1,519	1,222
Other financial assets	9,339	9,132
	83,696	69,532
Less: amount due after one year	(1,550)	(2,102)
	82,146	67,430
Non-financial assets		
Other assets	5,118	3,179
	5,118	3,179
	87,264	70,609

- a) Trade receivables are non-interest bearing and generally on 30 to 90 days terms.

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

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Neither past due nor impaired	24,135	18,555
Past due but not impaired		
- less than 3 months	992	3,422
- 3 – 6 months	3,562	4,294
Total trade receivables	28,689	26,271

Trade receivables that are less than six months past due, are not considered impaired since they relate customers for whom there is no recent history of default.

- b) The consideration due on sale of the Group's investment property in the Kingdom of Saudi Arabia amounting to KD12,405 thousand (sold during 2011) was due in instalments. Out of the consideration due, as of 31 December 2015 an amount of KD972 thousand is outstanding and the Group's management expects that it will be settled during 2016.
- c) During the year, the Group recognised an impairment loss of KD323 thousand (2014: KD1,441 thousand) against trade and other receivables.
- d) This includes an amount of KD22,459 thousand due on sale of available for sale investments of one of the local subsidiaries of the Group (refer note 19 e). Subsequent to the reporting date, the Group has received the outstanding balance in full.

Notes to the consolidated financial statements (continued)

22 Murabaha and wakala investments

	Effective profit rate % (per annum)		31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
	2015	2014		
Due from a local Islamic investment company/ due from related parties	-	-	14,324	14,324
Provision for impairment in value	-	-	(14,324)	(14,324)
Placed with local Islamic banks	1.13%	0.5%	1,000	598
			1,000	598

No profit was recognised on impaired wakala investments during the current year (2014: Nil).

Wakala investments of KD14,324 thousand (2014: KD14,324 thousand) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd and 3rd instalment due in June 2014 and 2015 respectively. Full provision is made for receivable in accordance with the Central Bank of Kuwait provision rules.

During previous years, one of the local subsidiary's of the Group assumed the financial and legal obligations on wakala investments of KD9,968 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group initiated legal proceedings against the above parties to recover the amount including profits thereon. During the year 2014, the court of appeal had ordered the related parties to pay KD8,285 thousand with 7% profit thereon to the Group which has now been overturned by the Court of Cassation in favour of the related party during the year. The legal proceedings relating to the remaining amount of KD1,683 thousand is still in process.

23 Investments at fair value through profit or loss

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Held for trading :		
Quoted shares		
- Local	16,992	26,193
- Foreign	7,261	6,776
	24,253	32,969
Designated on initial recognition :		
Local funds	7,709	7,936
International managed portfolios and funds	52,071	18,801
	59,780	26,737
	84,033	59,706

- a) In 2008, as a result of significant developments in the global financial markets, the Group had reclassified investments with a fair value of KD380,755 thousand as at 1 July 2008 from "investment at fair value through profit or loss" category to "available for sale" category. The fair value of remaining reclassified investments as of 31 December 2015 is KD47,328 thousand (2014: KD63,352 thousand).

Notes to the consolidated financial statements (continued)

23 Investments at fair value through profit or loss (continued)

- b). During 2008, a local money market fund, in which a local subsidiary of the Group has investments totaling to KD1,401 thousand as at 31 December 2015 (2014: KD1,624 thousand), suspended redemption requests. Management of the subsidiary has been informed by the manager of the fund that redemptions will be made depending on availability of liquid funds. Further, the subsidiary's management has also been informed by the manager of the fund that the request made to liquidate the fund has been accepted by the relevant authorities. The investment has been fair valued based on the last unaudited net asset value reported by the fund manager as of 1st March 2015. The subsidiary's management expects to realize these investments at not less than its carrying value.
- c). Quoted shares, held by local subsidiaries, with a fair value of KD3,586 thousand (2014: KD9,840 thousand) are secured against short term borrowings (refer note 30) and long term borrowings (refer note 27).

24 Share capital and share premium

- a) As of 31 December 2015, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2014: 1,359,853,075 shares).
- b) Share premium is not available for distribution.
- c) At the Annual General Meeting held on 20 May 2015, the shareholders approved a cash dividend of 12% (2013: Nil) equivalent to 12 Fils per share and bonus share of Nil for the year ended 31 December 2014. At the Annual General Meeting held on 28 May 2014, the shareholders approved 5% bonus shares on outstanding shares as at the date of the AGM, which represented 64,754,908 shares of 100 Fils each amounting to KD6,475 thousand.

25 Treasury shares

	31 Dec. 2015	31 Dec. 2014
Number of shares	34,796,079	34,796,079
Percentage of issued shares	2.56%	2.56%
Market value (KD '000)	4,245	6,611
Cost (KD'000)	30,375	30,375

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

As at 31 December 2015 and 2014, one of the associate companies of the Group held 131,599,475 (2014: 131,599,475) shares of the Parent Company's shares equivalent to 9.7% (2014: 9.7%) of the Parent Company's shares issued.

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, other components of equity and Non-controlling interests

a) Cumulative change in fair value

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Balance at 1 January	160,785	164,439
<i>Other comprehensive income:</i>		
Net change in fair value of available for sale investments	(49,252)	(6,229)
Transferred to consolidated statement of profit or loss on disposal of available for sale of investments	(11,246)	(22,953)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	5,335	23,288
Share of fair value adjustment in associates	(9,244)	2,240
Other comprehensive income for the year	(64,407)	(3,654)
Balance at 31 December	96,378	160,785

b) Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 31 December 2014	8,542	1,694	18,452	(1,521)	27,167
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	(965)	(965)
Comprehensive Income	-	-	-	(965)	(965)
Reserve transfers	2,625	-	-	-	2,625
Balances at 31 December 2015	11,167	1,694	18,452	(2,486)	28,827
Balances at 31 December 2013	2,603	1,892	18,452	(4,395)	18,552
Reallocation to non controlling interests of subsidiary	-	-	-	38	38
Transactions with owners	-	-	-	38	38
<i>Other comprehensive income:</i>					
Currency translation differences	-	-	-	2,836	2,836
Comprehensive income	-	-	-	2,836	2,836
Transfer from reserve of subsidiary	-	(690)	-	-	(690)
Reserve transfers of subsidiaries	5,939	492	-	-	6,431
Balances at 31 December 2014	8,542	1,694	18,452	(1,521)	27,167

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, other components of equity and Non-controlling interests (continued)

Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat and directors remuneration but after Non-controlling interest is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

General reserve

In accordance with the Parent Company's articles of association, a certain percentage of the profit for the year before KFAS, NLST, Zakat and directors remuneration but after Non-controlling interest is to be transferred to the general reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. For the year ended 31 December 2015, the Board of Directors do not propose any transfer to general reserve and this is subject to approval at the General Assembly.

c) Non-controlling interests

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Balance at 1 January	146,729	147,976
Net decrease in non controlling interests on acquisition of subsidiary	-	(804)
Net increase in non-controlling interests of subsidiary during the year*	3,195	-
Increase in share capital of subsidiaries	2,052	-
Amount due to non-controlling interests on reduction of share capital of subsidiary **	(1,732)	(3,912)
Redemption of share capital by non-controlling interest of subsidiary	(18)	-
Dividend paid to non-controlling interests by the subsidiaries	(4,890)	(2,075)
Reallocation to non-controlling interests of a subsidiary	-	1,633
Other net changes in non-controlling interests	345	679
Transactions with non-controlling interests	(1,048)	(4,479)
Profit for the year	3,483	8,549
<i>Other comprehensive income :</i>		
Exchange differences arising on translation of foreign operations	(46)	2,138
Net change in fair value of available for sale investments	(23,535)	(9,367)
Transferred to consolidated statement of profit or loss on disposal of available for sale investments	(1,315)	(3,237)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	4,516	4,917
Share of other comprehensive income of associates	125	232
Total other comprehensive income for the year	(20,255)	(5,317)
Total comprehensive income for the year	(16,772)	3,232
Balance at 31 December	128,909	146,729

* During the year one of the subsidiaries of the Group increased its share capital from KD11,000 thousand to KD15,000 thousand (40,000 thousand shares with a par value of 100 fils and premium of 10 fils per each share). The Group subscribed partially for this increase through another subsidiary of the Group and consequently the Group's shareholding in this subsidiary diluted from 100% to 82.85%. The proportionate carrying value of net assets on the date of dilution amounting to KD3,195 thousand has been transferred to non-controlling interest in the consolidated statement of changes in equity. Consequently the difference between cash proceeds received and non controlling interests share of net assets on the date of dilution amounting to KD358 thousand has been recognized as a dilution loss in the consolidated statement of changes in equity as of 31 December 2015.

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, other components of equity and Non-controlling interests (continued)

c) Non-controlling interests (continued)

** During the year, the shareholders of one of the local subsidiaries of the Group, decided to further decrease its share capital by KD4,000 thousand (2014: KD9,000 thousand) out of which KD1,732 thousand (2014: KD3,912 thousand) pertains to non-controlling interests. After completing its necessary formalities an amount of KD1,726 thousand (2014: KD3,932 thousand) including prior capital reductions has been paid to non-controlling interests and the balance amount is shown under accounts payable and other liabilities.

27 Long-term borrowings

Currency	Effective Interest rate	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Conventional loans			
Kuwaiti Dinars (note 27c)	3.5% - 5%	289,258	349,330
US Dollars	2.39% - 4%	93,545	56,274
Euro	2.4% - 4.7%	1,450	1,281
Less : Due within one year		384,253 (83,348)	406,885 (86,472)
		300,905	320,413
Islamic financing arrangements			
Murabaha payables (note 27c)	3.06%-4%	80,153	101,563
Other Islamic financing arrangements	3.8% - 5.5%	62,855	61,712
Less: Due within one year		143,008 (6,068)	163,275 (113,434)
		136,940	49,841
Total		437,845	370,254

- a During 2011 and 2012, one of the local subsidiaries of the Group restructured its financing arrangements with some local banks and accordingly loans amounting to KD154,710 thousand (out of which KD53,702 thousand has been paid till reporting date and KD4,314 thousand subsequent to the reporting date) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 31 December 2015, these are partly secured (refer notes 18, 19 and 23) and the identification and securitization of the required balance is still in process.

The third instalment of the loan of KD38,677 thousand fell due in 2014 and 2015 and the lenders agreed for payment of 50% of that amount within four months from the original due date. KD15,024 thousand was paid in 2015 and the balance KD4,314 thousand has been settled subsequent to the reporting date.

The local subsidiary has outstanding loans of KD101,008 thousand as of the reporting date out of which KD4,314 thousand was settled subsequent to the reporting date and the process of rescheduling loans amounting to KD96,694 thousand comprising of the remaining 50% (KD19,339 thousand) of the third instalment and KD77,355 thousand for the final instalment is ongoing.

Notes to the consolidated financial statements (continued)

27 Long-term borrowings (continued)

The local subsidiary had submitted a debt rescheduling plan to all its lenders and had, also requested from all of the lenders to extend the standstill as the restructuring is still in process and to continue negotiations to reach an acceptable debt rescheduling solution. Subsequent to the reporting date, the lenders have confirmed that they will continue to negotiate the terms and conditions of the restructuring to bring it to a successful closure. Accordingly, the local subsidiary's management expects to finalize the debt rescheduling within the next few months.

- b The Euro loans are secured against property, plant and equipment with a book value of KD804 thousand (2014: KD934 thousand). Also, other Islamic financing arrangement amounting to KD8,869 thousand (2014: KD6,905 thousand) are secured against property, plant and equipment with a book value of KD11,130 thousand (2014: KD4,605 thousand).
- c Short term borrowings as of 31 December 2014 included an amount of KD101,563 thousand of an Islamic syndicated loan and KD25,000 thousand of a conventional loan which matured in August 2015.

During the year, the Parent Company has rescheduled the conventional loan amounting to KD25,000 thousand with the same local bank and it is now due in 2 years. Further, the Islamic syndicated loan amounting to KD 101,563 thousand have been settled from the proceeds obtained through two new facilities entered into, one of which is a Murabaha facility comprising of local and regional banks for an amount of KD80,153 thousand due in 3 years and the other is a conventional loan facility with a new foreign bank for an amount of KD20,000 thousand due in one year. Under the terms of the new facilities agreements, shares of one of the listed associates having a carrying value of KD123,959 thousand are kept in a custody portfolio account with specialised institutions (refer note 17.2).

28 Provisions

	31 Dec. 2015 KD'000	31 Dec. 2014 KD '000
Pension liability (refer note 33)	3,784	4,359
Provision for staff indemnity	10,890	10,637
Provision for land-fill expenses	742	724
Provision for rental property	224	295
	15,640	16,015
Less: Provision for rental property – amount due in less than one year	(204)	(206)
	15,436	15,809

The provision for rental property relates to onerous property rental costs (net of estimated rent receivable) and dilapidations obligations of foreign subsidiaries which are payable over various periods up to 2017.

Notes to the consolidated financial statements (continued)

29 Accounts payable and other liabilities

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Financial liabilities		
Trade payables	14,717	14,930
Accrued interest	3,393	2,729
Dividend payable	2,236	950
Leasing creditors - amount due in less than one year	265	236
Provision for rental property - amount due in less than one year	204	206
Payable on acquisition of subsidiary	1,505	1,505
Payable on acquisition of intangible assets	899	3,504
National labour support tax	4,161	4,682
Kuwait Foundation for the Advancement of Sciences and Zakat	557	1,094
Provision for foreign taxation	1,716	1,500
Other accruals	6,578	6,944
Due to associates (refer note 35)	238	1,419
Due to other related parties (refer note 35)	514	2,456
Amounts payable to non controlling interest due to capital reduction of one of the local subsidiaries	1,194	1,235
Other liabilities	7,080	5,885
	45,257	49,275
Non-financial liabilities		
Other creditors	4,157	5,676
Accruals	207	227
	4,364	5,903
	49,621	55,178

30 Short-term borrowings

Currency	Effective Interest rate	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Conventional loans			
Kuwaiti Dinars	4% - 4.75%	89,108	41,187
US Dollars	1.33% - 5.88%	70,770	76,095
Sterling & Euro	2% - 3.5%	-	657
		159,878	117,939
Long term borrowings due within one year		83,348	86,472
		243,226	204,411
Islamic financing arrangements			
Murabaha/wakala/ijara payables	4.5%	13,896	17,608
Long term Islamic financing arrangements due within one year (refer note 27 c)		6,068	113,434
		19,964	131,042
Total		263,190	335,453

Notes to the consolidated financial statements (continued)

30 Short-term borrowings (continued)

- Islamic financing arrangements include Ijara payables of KD17,825 thousand (2014: KD17,785 thousand) which is secured against investment properties of local subsidiaries (refer note 18).
- As of 31 December 2015, one of the local subsidiaries had utilised KD1,050 thousand (net) (2014: KD1,500 thousand) from the KD7,000 thousand loan facility from a local bank which is secured against local quoted investments with a fair value of KD7,676 thousand (2014 : KD8,260 thousand).
- US Dollar loan equivalent to KD69,230 thousand (2014: KD66,793 thousand) and Kuwait Dinar loans of KD44,854 thousand (2014: KD74,371 thousand) are secured by certain available for sale investments (refer note 19).

31 Cash and cash equivalents

	Effective interest/profit rate %	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Short term deposits	0.41% - 1.35%	16,661	6,715
Bank balance and cash	0.62% - 1.35%	43,383	53,354
Due to banks	5.5% - 6.0%	(19,915)	(21,674)
		40,129	38,395
Less: Blocked balances		(325)	(2,837)
Cash and cash equivalents for the purpose of consolidated statement of cash flows		39,804	35,558

32 Dividend distribution

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a cash dividend of 10% (2014: 12%) equivalent to 10 Fils (2014: 12 Fils) per share.

At the Annual General Meeting held on 20 May 2015, the shareholders approved a cash dividend of 12% (2013: Nil) equivalent to 12 Fils per share amounting to KD15,901 thousand and bonus share of Nil for the year ended 31 December 2014.

33 Defined benefit pensions schemes

The Group has defined benefit pension schemes for the employees of certain subsidiaries in the United Kingdom. The Schemes provide benefits based on final salary and length of service on retirement. The Schemes are subject to the Statutory Funding Objective under the United Kingdom Pensions Act 2004. A valuation of the schemes is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the Trustees of the Schemes the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The Schemes are managed by a professional trustee appointed by the Group. The Trustee has responsibility for obtaining valuation of the fund, administering benefit payments and investing the Schemes' assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

The Schemes expose the Group to a number of risks:

- Investment risk: The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short term volatility can cause additional funding to be required if deficit emerges.
- Interest rate risk: The Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Schemes hold assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk: A significant proportion of the benefits under the Schemes are linked to inflation. Although the Schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk: In the event that members live longer than assumed a deficit will emerge in the Schemes.
- For certain sections of the Schemes, members are assumed to commute 20% of their pension for cash at retirement. If on average less pension is taken this would lead to a deficit emerging.
- The Trustee holds insurance policies for some members of the Schemes. There is a very small risk that the insurers may default on their policies which would cause additional funding to be required.

Effect of the Schemes on the Group's future cash flows

The Group is required to agree Schedules of Contributions with the Trustee of the Schemes following the valuation which must be carried out at least once every three years. In the event the valuation reveals a larger deficit than expected the Group may be required to increase contributions above those set out in the existing Schedules of Contributions. Conversely if the position is better than expected contributions may be reduced.

The Group expects to contribute KD753 thousand to its defined benefit plans annually which has been agreed with the pension trustee in line with actuarial advice and aims to eliminate the deficit within an acceptable period of time.

The following disclosures cover all the schemes on an aggregated basis. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the Group's defined benefit pension schemes.

The following assumptions have been used in calculating the liabilities and expenses incurred:

	31 Dec. 2015	31 Dec. 2014
Discount rate at 31 December	3.45%	3.50%
Inflation assumption (RPI)	3.20%	3.15%
Revaluation in deferment (CPI)	2.20%	2.15%
Expected return on plan assets	3.45%	3.50%
Future salary increases	N/A	N/A
Future pension increases	3.20%	3.15%
Mortality after retirement		

SAPS (SINA) tables with medium cohort year of birth projections and minimum of 1.25% (2014: 1.25%) per annum improvement.

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Effect of the Schemes on the Group's future cash flows (continued)

Under the mortality tables adopted, the expected age at death for a member at age 65 is as follows:

	31 Dec. 2015	31 Dec. 2014
Male currently aged 45	89.1	89.3
Female currently aged 45	91.7	91.9
Male currently aged 65	87.3	87.5
Female currently aged 65	89.7	90.0

The average of the weighted average duration of the liabilities of each of the schemes is 16 years (2014: 17 years).

Consolidated statement of profit or loss

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Interest cost	(836)	(956)
Expected return on assets	700	798
Accrued expenses	12	(3)
Net annual charge included in general and administrative expenses	(124)	(161)

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated statement of financial position

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Brought forward liability	4,359	4,044
Consolidated statement of profit or loss (net)	124	161
Contributions	(837)	(744)
Actuarial losses	167	966
Foreign Exchange adjustments	(29)	(68)
Carried forward liability	3,784	4,359

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Reconciliation of consolidated statement of financial position liability

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Present value of obligations	23,396	24,330
Fair value of plan assets	(19,745)	(20,082)
Net plan deficit	3,651	4,248
Unrecognised actuarial losses	133	111
Net liability recognised in the consolidated statement of financial position	3,784	4,359

Changes in the present value of the defined benefit obligation

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Opening defined benefit obligation	24,330	21,948
Interest cost	836	956
Actuarial (gains)/ losses	(112)	2,564
Accrued (income)/ expenses	(12)	3
Benefits and expenses paid	(1,567)	(913)
Foreign exchange adjustment	(79)	(228)
Closing defined benefit obligation	23,396	24,330

Changes in the fair value of the plan assets

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Opening fair value of plan assets	20,082	18,030
Interest on assets	700	798
Actuarial (losses)/ gains	(233)	1,615
Contributions by employer	837	744
Benefits and expenses paid	(1,567)	(913)
Foreign exchange adjustment	(74)	(192)
Closing fair value of plan assets	19,745	20,082

The fair value of the plan assets, by category is as follows:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Plan assets:		
Equities	5,554	8,073
Bonds	13,915	11,424
Other assets	276	585
	19,745	20,082

The actual return on the Schemes' assets net of expenses over the period was 2.3% (2013: 13.2%).

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Sensitivity of the value placed on liabilities

The defined benefit obligation would be affected by changes in the actuarial assumptions. The table below shows the potential impact of relatively small changes in the key assumptions:

Adjustment to assumptions	Approximate effect on liabilities KD '000
<i>Discount rate</i>	
Plus 0.5%	(1,120)
Minus 0.5%	1,264
<i>Inflation</i>	
Plus 0.25%	305
Minus 0.25%	(302)
<i>Life expectancy</i>	
Plus 1 year	548
Minus 1 year	(548)

Note the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

34 Segmental analysis

The Group activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

34 Segmental analysis (Continued)

	Investment			Building materials			Specialist engineering			Hotel & IT services			Total		
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2014
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Segment revenue	73,918	106,651	48,216	47,644	75,960	65,280	15,701	13,654	213,795	233,229					
Less:															
Income from investments									(37,547)	(56,016)			(37,547)	(56,016)	
Share of result of associates									(26,913)	(41,720)			(26,913)	(41,720)	
Gain on disposal of investment properties									-	(740)			-	(740)	
Gain on disposal of associates									(417)	(1,140)			(417)	(1,140)	
Change in fair value of investment properties									(1,283)	(4,138)			(1,283)	(4,138)	
Rent income									(2,068)	(1,553)			(2,068)	(1,553)	
Interest and other income									(5,690)	(1,359)			(5,690)	(1,359)	
Sales, per consolidated statement of profit or loss									139,877	126,563			139,877	126,563	
Segment profit	50,974	63,074	7,781	8,320	7,019	4,020	(2,828)	(1,428)	62,946	73,986			62,946	73,986	
Less:															
Finance costs									(28,740)	(30,520)			(28,740)	(30,520)	
Other unallocated loss									(3,671)	(3,752)			(3,671)	(3,752)	
Profit before foreign taxation									30,535	39,714			30,535	39,714	
Segment assets	1,142,545	1,229,207	57,962	53,214	81,398	78,965	17,437	24,562	1,299,342	1,385,948			1,299,342	1,385,948	
Segment liabilities	(17,882)	(17,550)	(18,322)	(18,648)	(20,056)	(23,575)	(9,221)	(11,692)	(65,481)	(71,465)			(65,481)	(71,465)	
Segment net assets	1,124,663	1,211,657	39,640	34,566	61,342	55,390	8,216	12,870	1,233,861	1,314,483			1,233,861	1,314,483	
Borrowings and due to banks									(720,950)	(727,381)			(720,950)	(727,381)	
Total equity, per consolidated statement of									512,911	587,102			512,911	587,102	

Notes to the consolidated financial statements (continued)

34 Segmental analysis (Continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering KD '000	Hotel & IT services KD '000	Total KD '000
At 31 December 2015					
Additions to property, plant and equipment	75	2,146	6,179	194	8,594
Depreciation	281	3,243	2,903	79	6,506
Impairment in value of available for sale investments	9,851	-	-	-	9,851
At 31 December 2014					
Additions to property, plant and equipment	61	1,494	3,228	2,377	7,160
Depreciation	313	3,546	2,899	90	6,848
Impairment in value of available for sale investments	27,490	-	-	715	28,205

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Kuwait	638,173	646,407	61,812	58,942
Outside Kuwait	661,169	739,541	78,065	67,621
	1,299,342	1,385,948	139,877	126,563

35 Related party transactions

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

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

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Transactions and balances included in the consolidated statement of financial position		
Due from related parties (included in accounts receivable and other assets)		
- Due from associate companies	1,870	1,724
- Due from other related parties	2,476	955
- Due from key managements personal	231	233
Due to related parties (included accounts payable and other liabilities)		
- Due to associates	238	1,419
- Due to other related parties	514	2,456
Current portion of the long term borrowings - murabaha payable to an associate (included in short term borrowings)	-	15,040

Notes to the consolidated financial statements (continued)

35 Related party transactions (continued)

	Year ended 31 Dec. 2015 KD '000	Year ended 31 Dec. 2014 KD '000
Transactions included in the consolidated statement of profit or loss		
Realised gain on sale of available for sale investments – to associate	26	-
Management and placement fees earned from related parties	4	2
Finance cost – charged by an associate	466	774
Purchase of raw materials – from associates	3,932	4,204
Compensation of key management personnel of the Group		
Short term employee benefits and directors' remuneration	3,454	3,843
End of service benefits	421	2,139
	3,875	5,982

36 Summary of assets and liabilities by category and fair value measurement

36.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Financial assets:		
Loans and receivables (at amortised cost):		
• Accounts receivable and other financial assets (refer note 21)	83,696	69,532
• Murabaha and wakala investments	1,000	598
• Short term deposits	16,661	6,715
• Bank balance and cash	43,383	53,354
	144,740	130,199
Assets at fair value through profit or loss:		
• Investments at fair value through profit or loss (refer note 23)		
- Held for trading	24,253	32,969
- Designated on initial recognition	59,780	26,737
	84,033	59,706
Available for sale investments (refer note 19)		
- At fair value	520,342	622,751
- At cost / cost less impairment	20,895	57,520
	541,237	680,271
Total financial assets	770,010	870,176
Financial liabilities:		
At amortised cost		
• Long term borrowings	437,845	370,254
• Leasing creditors	424	478
• Accounts payable and other financial liabilities (refer note 29)	45,257	49,275
• Short term borrowings	263,190	335,453
• Due to banks	19,915	21,674
Total financial liabilities	766,631	777,134

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.2 Fair value measurement

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. Investments at fair value through profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in Note 19 to the consolidated financial statements) are carried at fair value and measurement details are disclosed in note 36.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values.

The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (refer 36.4).

36.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level within which the 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;

At 31 December 2015

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	-	26,647	26,647
Other managed funds	c	-	7,174	78,105	85,279
-Unquoted equity participations	d	-	14,268	157,955	172,223
-Quoted shares	a	222,282	862	13,049	236,193
Investment at fair value through profit or loss					
-Quoted shares	a	24,253	-	-	24,253
-Local funds	b	-	7,709	-	7,709
-International managed portfolios and funds	e	5,490	35,750	10,831	52,071
Total assets		252,025	65,763	286,587	604,375

Notes to the consolidated financial statements (continued)

36 Summary of financial assets and liabilities by category (continued)

36.3 Fair value hierarchy (continued)

At 31 December 2014

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Available for sale investments					
-Managed funds					
Private equity funds	a	-	-	30,559	30,559
Other managed funds	c	-	10,528	77,423	87,951
-Unquoted equity participations	d	-	-	147,461	147,461
-Quoted shares	a	356,780	-	-	356,780
Investment at fair value through profit or loss					
-Quoted shares	a	32,969	-	-	32,969
-Local funds	b	-	7,936	-	7,936
-International managed portfolios and funds	e	-	-	18,801	18,801
Total assets		389,749	18,464	274,244	682,457

Measurement at fair value

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 methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year, except for certain quoted shares that have been fair valued based on valuation techniques as the Group's management believes that such valuations are more representative of the fair values of such investments based on the information available to the management. Accordingly these investments with a carrying value of KD862 thousand and KD13,049 thousand have been included under level 2 & 3 respectively as of 31 December 2015.

a) Quoted shares & debt instruments (level 1, 2 & 3)

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques (level 2 or 3)

b) Local funds (level 2)

The underlying investments of these funds mainly comprise of local quoted shares and money market instruments and the fair value of the investment has been determined based on net asset values reported by the fund manager as of the reporting date.

c) Foreign funds (level 2)

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.

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.3 Fair value hierarchy (continued)

Other managed portfolios (level 3)

The underlying investments of other managed portfolios represent foreign quoted and unquoted securities managed by specialized portfolio managers. They are valued based on periodic reports received from the portfolio managers.

d) Unquoted equity participations (level 3)

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

e) International managed portfolios and funds (level 3)

The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on fund managers' report.

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques 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'000	31 Dec. 2014 KD'000
Opening balance	274,244	279,517
Net change in fair value recognised in other comprehensive income	7,393	39,156
Impairment recognised in profit or loss	(2,164)	(8,580)
Net change in fair value recognised in profit or loss	1,156	(1,202)
Net disposals during the year	(8,431)	(34,667)
Reclassification	14,389	-
Closing balance	286,587	274,244

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

31 December 2015

Financial asset	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value measurement to the input
Unquoted Equity participations	DCF Method	Long term growth rate for cash flows for subsequent years	3% - 5.8%	Higher the growth rate, higher the value
		WACC	12.5% - 15.4%	Higher the WACC, lower the value
		Discount for lack of marketability	10% - 25%	Higher the discount rate, lower the value
Private equity and direct equity funds	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value
Other managed portfolios	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.3 Fair value hierarchy (continued)

31 December 2014

Financial asset	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value measurement to the input
Unquoted Equity participations	DCF Method	Long term growth rate for cash flows for subsequent years	2% - 4.2%	Higher the growth rate, higher the value
		WACC	9.8% - 17%	Higher the WACC, lower the value
		Discount for lack of marketability	15% - 25%	Higher the discount rate, lower the value
Private equity and direct equity funds	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value
Other managed portfolios	NAV reported by investment manager	Fair market value of the underlying assets	N/A	Higher the FMV of the assets, higher the value

The impact on 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%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

In case of AFS assets, the impairment charge in the profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through OCI) and, would not have an effect on profit or loss.

36.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014 and 2015

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2015				
Investment property				
- Lands and buildings in Kuwait	-	-	39,826	39,826
- Lands and buildings in Saudi Arabia	-	-	6,205	6,205
- Lands and buildings in UAE	-	-	316	316
- Properties under development in Kuwait	-	-	10,602	10,602
- Land in Jordan	-	-	431	431
- Lands in Kuwait	-	-	12,102	12,102
	-	-	69,482	69,482
31 December 2014				
Investment property				
- Lands and buildings in Kuwait	-	-	43,926	43,926
- Lands and buildings in Saudi Arabia	-	-	6,163	6,163
- Lands and buildings in UAE	-	-	341	341
- Land in Jordan	-	-	415	415
- Lands in Kuwait	-	-	10,580	10,580
	-	-	61,425	61,425

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.4 Fair value measurement of non-financial assets (continued)

The above buildings represent rental properties on freehold land categorized as “Investment Lands” (i.e land which can be used to construct multiple residential unit buildings, apartments, villas, Duplex and Studios), in Kuwait, Jordan, UAE and Saudi Arabia. The freehold land above also represents land categorized as investment lands. The fair value of the investment property has been determined based on valuations obtained from two independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuers is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the Yield Method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuer who is a local reputable valuer has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location and current use. For the valuation purpose, the Company has selected the lower value of the two valuations (2014: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

31 December 2015

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings in Kuwait and Saudi Arabia (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated marker price for land (per sqm)	KD1,202 to KD8,857	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD59 to KD264	The higher the construction cost per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD2.46 to KD9	The higher the rent per square meter, the higher the fair value
		Yield rate	3.75% to 7.85%	The higher the yield rate, the higher the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land Kuwait and Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD1,574 to KD8,350	The higher the price per square meter, the higher the fair value

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.4 Fair value measurement of non-financial assets (continued)

31 December 2014

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings in Kuwait and Saudi Arabia (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated market price for land (per sqm)	KD1,200–KD8,837	The higher the price per square meter, the higher the fair value
		Construction cost (per sqm)	KD38-KD247	The higher the construction cost per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD2 – KD9	The higher the rent per square meter, the higher the fair value
		Yield rate	3.8% to 7.5%	The higher the yield rate, the higher the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land Kuwait and Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD1,300 to KD8,500	The higher the price per square meter, the higher the fair value

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in note 18.

37 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long term borrowings, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, murabaha and wakala investments, short term deposits and investment securities which arise directly from operations.

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

The board of directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

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

37.1 Market risk

a) Foreign currency risk

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

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

a) Foreign currency risk (continued)

The Group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar, Saudi Riyal and GBP. The consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the parent company's board of directors and a continuous assessment of the consolidated open positions.

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

	31 Dec. 2015 <i>Equivalent</i> KD '000	31 Dec. 2014 <i>Equivalent</i> KD '000
US Dollars	(103,734)	(46,521)
Saudi Riyals	15,240	3,197
GBP	7,079	(14,285)

The Parent Company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

	Profit increase/ (decrease)	
	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
US Dollars	5,187	2,326
Saudi Riyals	(762)	(160)
GBP	(354)	714
	4,071	2,880

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and positive for Saudi Riyals and GBP (2014: negative for US Dollars, GBP and positive for Saudi Riyals).

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.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its short term deposits (refer note 31), short and long term borrowings (refer note 30 and 27) and due to banks which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Effect on profit for the year	(1,650)	(594)	4,949	1,782

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia and USA. Equity investments are classified either as "investments at fair value through profit or loss" or "available for sale investments".

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

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the loss for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates a increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Profit for the year		Other comprehensive income	
	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Investments at fair value through profit or loss	3,196	4,091	-	-
Available for sale investments*	450	3,897	23,619	35,678
	3,646	7,988	23,619	35,678

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

c) Equity price risk (continued)

* Had equity prices been higher by 10% the impairment loss which was recognised in the consolidated statement of profit or loss would be reduced and consequently the profit for the year 2015 and 2014 would be higher.

For a 10% decrease in the equity prices there would be an equal and opposite impact on the losses for the years and other comprehensive income and the amounts shown above would be negative.

37.2 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 credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Available for sale investments	541,237	680,271
Accounts receivable and other assets (refer note 21)	83,696	69,532
Murabaha and wakala investments	1,000	598
Investments at fair value through profit or loss	84,033	59,706
Short term deposits	16,661	6,715
Bank balances	43,383	53,354
	770,010	870,176

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments referred to in note 22, certain available for sale investments, account receivable and other asset and investment at fair value through profit or loss referred to in note 19, 21 and 23 respectively. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 37.3.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia & Africa KD '000	UK & Europe KD '000	USA KD '000	Total KD '000
At 31 December 2015						
Geographic region:						
Available for sale investments	168,196	163,144	106,351	15,248	88,298	541,237
Accounts receivable and other assets	29,416	42,394	1,294	10,290	302	83,696
Investments at fair value through profit or loss	20,224	10,399	3,874	40,690	8,846	84,033
Murabaha and wakala investments	1,000	-	-	-	-	1,000
Short-term deposits	10,672	213	-	-	5,776	16,661
Bank balances and cash	36,785	2,081	604	3,761	152	43,383
	266,293	218,231	112,123	69,989	103,374	770,010
At 31 December 2014						
Geographic region:						
Available for sale investments	199,950	270,240	107,192	18,755	84,134	680,271
Accounts receivable and other assets	24,715	3,538	1,404	31,362	8,513	69,532
Investments at fair value through profit or loss	29,843	7,763	2,818	15,543	3,739	59,706
Murabaha and wakala investment	598	-	-	-	-	598
Short-term deposits	6,715	-	-	-	-	6,715
Bank balances and cash	21,177	2,080	1,465	28,023	609	53,354
	282,998	283,621	112,879	93,683	96,995	870,176

37.4 Liquidity risk

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

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1-5 Years KD '000	Total KD '000
31 December 2015					
Financial liabilities (undiscounted)					
Long-term borrowings	-	2,602	7,584	473,122	483,308
Leasing creditors	22	44	199	424	689
Accounts payable and other liabilities	13,329	9,563	22,365	-	45,257
Short-term borrowings	83,609	72,339	114,055	-	270,003
Due to banks	19,915	-	-	-	19,915
	116,875	84,548	144,203	473,546	819,172

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.4 Liquidity risk (continued)

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	1-5 Years KD '000	Total KD '000
31 December 2014					
Financial liabilities (undiscounted)					
Long-term borrowings	6,659	1,812	5,097	413,448	427,016
Leasing creditors	-	-	236	478	714
Accounts payable and other liabilities	23,143	4,828	21,304	-	49,275
Short-term borrowings	41,804	87,820	219,757	-	349,381
Due to banks	21,674	-	-	-	21,674
	93,280	94,460	246,394	413,926	848,060

The Group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. The Group's management has successfully renewed all short term facilities which were classified as falling due within one month and one to three months.

38 Staff shares

The Parent Company has an approved share issuance scheme to its senior management, where the parent company's shares can be issued to staff as bonus shares by utilizing its treasury shares, and the scheme will expire in 2016. However no staff shares were issued during the year 2014 and 2015.

39 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure for the Group consists of the following:

	31 Dec. 2015 KD '000	31 Dec. 2014 KD '000
Long term borrowings (refer note 27)	437,845	370,254
Short term borrowings (refer note 30)	263,190	335,453
Due to banks	19,915	21,674
	720,950	727,381
Less :		
Murabaha and wakala investments	(1,000)	(598)
Short - term deposits	(16,661)	(6,715)
Bank balances and cash	(43,383)	(53,354)
Net debt	659,906	666,714
Total equity	512,911	587,102

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

Notes to the consolidated financial statements (continued)

39 Capital risk management (continued)

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

	31 Dec. 2015 %	31 Dec. 2014 %
Net debt to equity ratio	129	114

40 Contingent liabilities

At 31 December 2015, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD20,773 thousand (2014: KD30,589 thousand).

41 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2015 amounted to KD4,712 thousand (2014: KD6,906 thousand) of which assets managed on behalf of related parties amounted to KD2,713 thousand (2014: KD5,085 thousand).

42 Capital commitments

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment totalling KD36,481 thousand (2014: KD24,510 thousand).

At the reporting date, the Group had commitment to pay lease rentals amounting to KD5,329 thousand (2014: KD4,868 thousand).

43 Comparative information

Certain other comparative figures has been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.