

Arabi Group Holdings – K.S.C.P  
Kuwait

Independent Auditor's Report and  
Consolidated Financial Statements  
Year ended 31 December 2014

**PKF**

Accountants &  
business advisers

AL – WAHA  
AUDITING OFFICE  
*ALI OWAIID RUKHEYEES*



**C o n t e n t s**

	<b>Pages</b>
Independent Auditor's Report	–
Consolidated Statement of Financial Position	Exhibit – A
Consolidated Statement of Income	Exhibit – B
Consolidated Statement of Comprehensive Income	Exhibit – C
Consolidated Statement of Changes in Equity	Exhibit – D
Consolidated Statement of Cash Flows	Exhibit – E
Notes to the Consolidated Financial Statements	1 – 29



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**Arabi Group Holdings K.S.C.P  
Kuwait**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

### **Report on Consolidated Financial Statements**

#### *Introduction*

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

#### *Management's Responsibility for the Consolidated Financial Statements*

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 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 auditor's 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 auditor considers 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 reasonableness of accounting estimates made by the Parent Company's 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 the Group as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of matter*

We draw attention to note 2.19 to the consolidated financial statements regarding receivables from contract customers which are under legal dispute and contract in progress. The Group management is of the opinion that the carrying amount of assets will be recovered in full and are not impaired. The consolidated financial statements for the year ended 31 December 2014 does not include any adjustments that might results from uncertainties regarding the outcome of Court judgments and acceptance and completion of contracts.

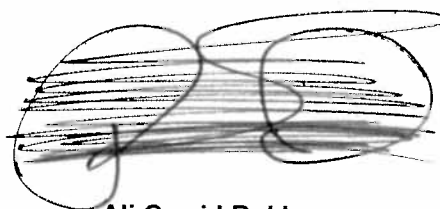
We draw attention to note 5 to the consolidated financial statements towards funds availed through a third party for Group's payments in proposed establishment of a new company and the arrangement with third party are under process and negotiation.

***Report on Other Legal and Regulatory Requirements***

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



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Kuwait  
5 April 2015

Consolidated Statement of Financial Position as at 31 December 2014

Exhibit - A

	Note	Kuwaiti Dinars	
		2014	2013
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	4,029,698	1,164,878
Trade and other receivables	5	121,996,083	74,694,595
Investment at fair value through profit or loss	6	6,932	8,563
Due from related parties	7	4,105,012	5,055,989
Contract in progress – due from customers	8	3,808,316	5,381,182
Inventories	9	24,245,669	14,676,533
		<u>158,191,710</u>	<u>100,981,740</u>
<b>Non-current assets</b>			
Investments available for sale	6	3,597,154	3,211,457
Investment in associate	10	1	1
Investment in properties	11	2,415,000	2,144,000
Investments in unconsolidated subsidiaries	12	601,378	589,020
Property and equipment	13	16,906,966	8,333,240
Goodwill	14	395,964	595,964
		<u>23,916,463</u>	<u>14,873,682</u>
<b>Total assets</b>		<u>182,108,173</u>	<u>115,855,422</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Bank overdrafts and promissory notes	15	19,013,543	17,289,162
Due to related parties	16	8,350,547	1,630,242
Trade and other payables	17	54,587,891	36,469,284
Term loans –Current portion	18	48,922,130	14,182,702
		<u>130,874,111</u>	<u>69,571,390</u>
<b>Noncurrent liabilities</b>			
Term loans- Non current portion	18	22,989,576	21,627,525
Post employment benefits	19	2,497,237	2,209,912
		<u>25,486,813</u>	<u>23,837,437</u>
<b>Equity</b>			
<b>Attributable to the Parent Company's</b>			
Capital	20	14,975,085	14,261,986
Share premium	20	7,877,292	7,877,292
Statutory reserve	20	462,576	209,763
Voluntary reserve	20	462,576	209,763
Treasury share reserve		17,230	17,230
Revaluation reserve		2,223,931	1,430,016
Foreign currency translation adjustments		(2,546)	(99,605)
Fair valuation reserve		(1,632,041)	(1,582,659)
Retained earnings		1,895,239	839,958
Treasury shares	21	(1,381,525)	(1,328,065)
		<u>24,897,817</u>	<u>21,835,679</u>
<b>Non controlling interest</b>		<u>849,432</u>	<u>610,916</u>
<b>Total equity</b>		<u>25,747,249</u>	<u>22,446,595</u>
<b>Total liabilities and equity</b>		<u>182,108,173</u>	<u>115,855,422</u>

The accompanying notes are an integral part of these consolidated financial statements

  
Tareq Mohammed Al Maoushargi  
Chairman

Arabi Group Holdings – K.S.C.P  
Kuwait

Consolidated Statement of Income for the year ended 31 December 2014

	Note	Exhibit - B	
		Kuwaiti Dinars	
		2014	2013
Sales		41,034,095	34,871,438
Contract revenue		32,137,913	15,793,115
		<u>73,172,008</u>	<u>50,664,553</u>
Cost of sales	22	(31,543,783)	(28,758,972)
Contract costs	22	(26,651,612)	(10,151,217)
		<u>(58,195,395)</u>	<u>(38,910,189)</u>
<b>Gross profit</b>		14,976,613	11,754,364
General and administrative expenses	22	(8,816,421)	(9,245,661)
Depreciation	13	(581,869)	(527,645)
Provision for doubtful debts	23	(2,320,826)	(411,901)
Provision for slow moving inventory	9	(129,288)	(83,139)
Profit from operations		<u>3,128,209</u>	<u>1,486,018</u>
Unrealized loss from investments at fair value through profit or loss		(1,631)	(2,891)
Income from investment property	11	271,000	400,250
Share of profit/(loss) of unconsolidated subsidiaries	12	12,358	(110,626)
Impairment losses	24	(818,630)	(350,000)
Other income	25	5,550,787	2,891,503
Interest expenses		<u>(5,636,286)</u>	<u>(2,992,935)</u>
<b>Profit before contribution to KFAS, Zakat, NLST and directors remuneration</b>		2,505,807	1,321,319
Directors remuneration	26	(60,000)	-
KFAS		(22,753)	(10,299)
Zakat		(48,964)	(19,479)
NLST		<u>(122,409)</u>	<u>(48,697)</u>
<b>Profit for the year</b>		<u>2,251,681</u>	<u>1,242,844</u>
Attributable to:			
Equity holders of the Parent Company		2,274,006	1,065,847
Non controlling interest		<u>(22,325)</u>	<u>176,997</u>
		<u>2,251,681</u>	<u>1,242,844</u>
Basic and diluted earnings per share for the year (fils)	27	<u>15.79</u>	<u>7.38</u>

The accompanying notes are an integral part of these consolidated financial statements

**Consolidated Statement of Comprehensive Income for the year ended 31 December 2014**

	Exhibit - C	
	Kuwaiti Dinars	
	2014	2013
<b>Profit for the year</b>	2,251,681	1,242,844
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to consolidated statement of income</i>		
Change in foreign currency translation	91,803	802
Change in fair value of available for sale investments	(75,673)	(153,226)
<i>Items that will not be reclassified subsequently to consolidated statement of income</i>		
Gain on revaluation of property	1,086,303	-
<b>Other comprehensive income for the year</b>	1,102,433	(152,424)
<b>Total comprehensive income for the year</b>	3,354,114	1,090,420
Attributable to:		
Equity holders of the Parent Company	3,115,598	947,253
Non controlling interest	238,516	143,167
	3,354,114	1,090,420

The accompanying notes are an integral part of these consolidated financial statements

**Consolidated Statement of Changes in Equity for the year ended 31 December 2014**

	Kuwaiti Dinars										Non controlling interest	Total Equity	
	Equity attributable to the Parent Company's Shareholders												
	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares reserve	Revaluation reserve	Foreign currency translation adjustments	Fair valuation reserve	Retained earnings	Treasury shares			Total
<b>Balance at 31 December 2013</b>	14,261,986	7,877,292	209,763	209,763	17,230	1,430,016	(99,605)	(1,582,659)	839,958	(1,328,065)	21,835,679	610,916	22,446,595
Total comprehensive income for the year	-	-	-	-	-	793,915	97,059	(49,382)	2,274,006	-	3,115,598	238,516	3,354,114
Transfer to reserves	-	-	252,813	252,813	-	-	-	-	(505,626)	-	-	-	-
Issue of bonus shares note 20	713,099	-	-	-	-	-	-	-	(713,099)	-	-	-	-
Purchase of treasury shares note 21	-	-	-	-	-	-	-	-	-	(53,460)	(53,460)	-	(53,460)
<b>Balance at 31 December 2014</b>	14,975,085	7,877,292	462,576	462,576	17,230	2,223,931	(2,546)	(1,632,041)	1,895,239	(1,381,525)	24,897,817	849,432	25,747,249
<b>Balance at 31 December 2012</b>	13,582,844	7,877,292	95,331	95,331	17,230	1,430,016	(94,950)	(1,468,720)	682,117	(1,082,550)	21,133,941	467,749	21,601,690
Total comprehensive income for the year	-	-	-	-	-	-	(4,655)	(113,939)	1,065,847	-	947,253	143,167	1,090,420
Transfer to reserves	-	-	114,432	114,432	-	-	-	-	(228,864)	-	-	-	-
Issue of bonus shares note 20	679,142	-	-	-	-	-	-	-	(679,142)	-	-	-	-
Purchase of treasury shares note 21	-	-	-	-	-	-	-	-	-	(245,515)	(245,515)	-	(245,515)
<b>Balance at 31 December 2013</b>	14,261,986	7,877,292	209,763	209,763	17,230	1,430,016	(99,605)	(1,582,659)	839,958	(1,328,065)	21,835,679	610,916	22,446,595

The accompanying notes are an integral part of these consolidated financial statements



Arabi Group Holdings - K.S.C.P  
Kuwait

Consolidated Statement of Cash Flows for the year ended 31 December 2014

	Note	Exhibit - E	
		Kuwaiti Dinars	
		2014	2013
<b>Cash flows – operating activities</b>			
Profit for the year		2,251,681	1,242,844
<i>Adjustments for:</i>			
Depreciation	13	1,079,369	749,734
Unrealized loss from investments at fair value through profit or loss		1,631	2,891
Income from investment properties	11	(271,000)	(400,250)
Shares of (profit)/loss from unconsolidated subsidiaries	12	(12,358)	110,626
Impairment losses	24	818,630	350,000
Gain on sale of sale of property and equipments	25	(3,778,554)	(66,033)
Interest expense		5,636,286	2,992,935
Operating profit before changes in working capital		5,725,685	4,982,747
Increase in trade and other receivables		(47,451,488)	(41,424,029)
Decrease/(Increase) in due from related parties		950,977	(285,514)
Decrease/(Increase) in due from customers for contract work		1,572,866	(1,163,189)
Increase in inventories		(9,569,136)	(2,830,860)
Increase in trade and other payables		18,118,607	22,907,196
Increase in due to related parties		6,720,305	705,749
Increase in post employment benefits		287,325	71,331
Net cash used in operating activities		<u>(23,644,859)</u>	<u>(17,036,569)</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment – net		(8,755,545)	(1,162,406)
Proceeds from sale of property and equipment – net		3,967,307	169,769
Acquisition of available for sale of investments		(930,000)	-
Net cash used in investing activities		<u>(5,718,238)</u>	<u>(992,637)</u>
<b>Cash flow from financing activities</b>			
Increase in bank overdrafts and promissory notes		1,724,381	1,837,642
Increase in term loans		36,101,479	19,568,479
Interest paid		(5,636,286)	(2,992,935)
Purchase of treasury shares		(53,460)	(245,515)
Net cash from financing activities		<u>32,136,114</u>	<u>18,167,671</u>
Net increase in cash on hand and at banks		2,773,017	138,465
Effect of exchange rate changes on cash and cash equivalents		91,803	802
Cash and cash equivalents at the beginning of the year		1,164,878	1,025,611
Cash and cash equivalents at the end of the year	4	<u>4,029,698</u>	<u>1,164,878</u>

The accompanying notes are an integral part of these consolidated financial statements

## 1. Constitution and activities

Arabi Group Holdings K.S.C.P ("the Parent Company") is a Kuwaiti shareholding company incorporated on 5 December 1982 and is listed on the Kuwait Stock Exchange. The registered office of the Parent Company is P.O. Box 4090, Safat, 13041, Kuwait and its principal activities are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and participating in the establishment of such companies.
- Participating in the management of companies in which it owns shares.
- Lending money to companies in which it owns shares, and guaranteeing third party loans in companies where it owns 20% or more of the capital of the borrowing company.
- Owning industrial rights such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies within or outside the State of Kuwait.
- Owning real estate and movable property to conduct its operations.

The Parent Company and its subsidiaries disclosed in note 3 are collectively referred to as "the Group" in these consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 5 April 2015 and are subject to approval of shareholders at the forthcoming annual general meeting.

## 2. Basis of presentation and significant accounting policies

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss" and "available for sale investments".

### Changes in accounting policies and disclosures

#### Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the following new and amended IASB Standards during the year:

*IAS 32: Financial Instruments: Presentation – Offsetting Financial Assets and Financial liabilities (Amendments)*

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption of these amendments has had no impact on the financial position or performance of the Group.

*IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The adoption of these amendments has not resulted in any material additional disclosures.

*IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the

novation should be included in the assessment and measurement of hedge effectiveness. The adoption of these amendments has had no impact on the disclosures or on the amounts recognized in these consolidated financial statements.

*IFRIC 21: Levies*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The application of this Interpretation has had no impact on the disclosures or on the amounts recognized these consolidated financial statements.

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

**Standards issued but not yet effective**

The following IASB Standards have been issued/amended but are not yet mandatory, and have not been adopted by the Group.

*IFRS 9: Financial Instruments*

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

*IFRS 15 – Revenue from Contracts with customers*

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

Adoptions of other new or amended Standards are not expected to have material effect on the consolidated financial position or financial performance of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards become effective.

**2.2 Business Combinations**

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interest issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's nets assets

When a business combination is achieved in stages, the previously held equity interests in the acquiree is re-measured at its acquisition-date's fair value and the resulting gain or loss is recognized in the consolidated statements of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from the past events and its fair value can be measured reliably.

And indemnification received from the seller in a business combination for the outcome of contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date's fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date's fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

### 2.3 Consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees and controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

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

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

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

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date when control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and income. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognised in assets are eliminated in full. If a parent loses control of a subsidiary, it derecognises the assets (including any Goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognised at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognised in equity is transferred to the consolidated statement of income.

## 2.4 Cash and cash equivalents

Cash in hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

## 2.5 Financial instruments

### Classification

In accordance with International Accounting Standard (IAS) 39, the Group classifies its financial instruments as “investments at fair value through profit or loss”, “loans and receivables” and “Investments available for sale”. All financial liabilities are classified as “financial liabilities other than at fair value through profit or loss”.

### Recognition and de-recognition

The Group recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognized when the contractual right to the cash flows from the financial asset has expired or the Group has transferred substantially all the risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial assets to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A regular way purchase and sale of financial assets is recognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established regulations or conventions in the market place.

### Measurement

#### *Financial instruments*

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

#### *Financial assets at fair value through profit or loss*

Financial assets classified as “at fair value through profit or loss” are divided into two sub categories; financials assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy.

#### *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. These are subsequently measured and carried at amortized cost using the effective yield method.

Cash and cash equivalents, trade and other receivables, due from related parties and contracts in progress – due from customers are classified as loans and receivables.

#### *Available for sale*

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose these investments within twelve months of the statement of financial position date. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in equity. When the “available for sale” asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to consolidated statement of income as gains or losses. Financial assets whose fair value cannot be reliable measured are carried at cost less impairment loss, if any.

*Financial liabilities other than at fair value through profit or loss*

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method.

Bank overdrafts and promissory notes, due to related parties, trade and other payables and term loans, are classified as financial liabilities "other than at fair value through profit or loss".

**Fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

Fair value of investment properties are determined by appraisers having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued and also considering the ability to generate economic benefits by using the property in its highest and best use.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above.

#### **Impairment of financial assets**

The Group assesses at each reporting date whether there is objective evidence that specific financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

The Group assess whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant. The main criteria that the Group uses to determine that there is objective evidence of impairment include whether there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount

The impairment loss for financial assets classified as loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows including amounts recoverable from collateral and guarantees, discounted at the current market interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income.

In case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of income, is removed from equity and recognized in consolidated statement of income. Impairment losses on equities available for sale recognized in the consolidated statement of income are not reversed through the consolidated statement of income.

Financial assets are written off when there is no realistic prospect of recovery.

#### **2.6 Inventories**

Inventories are valued at the lower of weighted average cost and net realizable value after making due allowances for any obsolete and slow moving items.

#### **2.7 Investment in associate**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds

its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the income statement.

## 2.8 Investment properties

Investment properties are initially recorded at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property. Subsequent to initial recognition, investment properties are re-measured to fair value on an individual basis based on an external valuation by an independent valuer. Changes in fair value are taken to the consolidated statement of income.

## 2.9 Property and equipment

Property and equipment are stated at historic cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of acquisition cost and all directly attributable costs of bringing the assets to working condition for its intended use.

Freehold land is not depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold land	15-25
Buildings	10-25
Furniture and fixtures	3-20
Tools, equipment, computers and software	3-5
Machinery and equipment	3-15
Motor vehicles	3-5

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The carrying amount of each item of property and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists the assets are written down to its recoverable amount and the impairment loss is recognized in the consolidated statement of income. Impairment is tested at the lowest level of the cash generating unit (CGU) to which the item belongs.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

Certain leasehold land and building are initially recognized at cost, and are measured after recognition at fair value based on valuations by external valuers. Fair value of buildings is further reduced by subsequent accumulated depreciation.

If an asset's carrying amount is increased as a result of revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognized in consolidated statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income.

If an asset's carrying value is decreased as a result of a revaluation, the decrease shall be recognized in consolidated statement of income. However the decrease shall be debited directly to the revaluation reserve in equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset.



Upon de-recognition of the asset, the revaluation reserve relating to the asset disposed off is transferred directly to retained earnings.

The management of the Group has decided to revalue assets every five years.

## 2.10 Goodwill

Goodwill arising in a business combination is computed as the excess of the aggregate of: consideration transferred; the non-controlling interests proportionate share in the recognized amounts of the acquiree's net identifiable assets at the acquisition date, if any; and in business combination achieved in stages the acquisition date fair value of the acquirer's previously held equity interest in the acquire, over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from bargain purchase and is recognized directly in the consolidated statement of income.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of Goodwill relating to the entity of the portion sold.

Goodwill is tested, at least annually, for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group uses five year business plans for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

## 2.11 Post-employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed.

The defined plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the statement of financial position date. This basis is considered to be a reliable approximation of the present value of this liability.

## 2.12 Provision for liabilities

Provision are recognized, when, as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

## 2.13 Treasury shares

The cost of the Parent Group's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends and rights issues.

The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

## 2.14 Revenue recognition

Revenue from construction and service contracts are recognized under the percentage of completion method, measured by reference to the proportion of contract costs incurred for work performed to date bear to the estimated total contract cost. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Full provision is made for expected future losses.

Revenue from installation contract is recognized on completion of installation.

Revenue from sale of goods is recognized upon delivery of goods to customers. Incentives from suppliers are recognized when earned.

Interest income is recognized using the effective yield method. Other income is recognized when earned.

Dividend income is recognized when the right to receive payment is established.

Operating lease income is recognized on a straight line basis over the period of the lease term.

## 2.15 Accounting for leases

*Where the Group is the lessee*

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

## 2.16 Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the investment fair valuation reserve in equity.

The consolidated statement of income and cash flows of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statement of financial positions are translated at exchange rates ruling at the year end. Foreign exchange differences arising on translation are recognized directly in the statement of changes in equity.

## 2.17 Contingencies

Contingent assets are not recognized as an asset till realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

## 2.18 Segment reporting

A business segment is a Group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are

subject to risks and return that are different from those of segments operating in other economic environment.

## 2.19 Critical accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Assumptions and estimates that are significant to the financial statement are the following:

### Judgments

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

#### *Classification of financial instruments*

On acquisition of a financial instrument, the Group's management has to decide whether it should be classified as at "fair value through profit or loss" or "available for sale". In making that judgment, management considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of income or directly in equity.

#### *Impairment of financial and non-financial assets*

At each statement of financial position date, management assesses, whether there is any indication that inventories, property and equipment, goodwill and intangible assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

The Group treats investments available for sale as impaired when there is 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 and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

#### *Business combinations*

To allocate the cost of a business combination, management exercises significant judgment to determine identifiable assets and liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

### Estimation uncertainty

The key estimates at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Fair values – unquoted equity investments*

The valuation techniques for unquoted equity investments make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

*Impairment of financial assets*

The Group's management review periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of 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 judgment and uncertainty.

*Impairment and useful lives of plant and equipment*

At each statement of financial position date, the Group's management assesses, whether there is any indication that plant and equipment may be impaired. The recoverable amount of an asset is determined based on the "value-in-use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

The Group's management determines estimated useful lives and related depreciation charge for the year. The estimate is based on product life cycle of plant and equipment. It could change significantly as a result of change in technology. Management increases the depreciation charge where the useful lives are lower than the previously estimated lives.

*Revenue recognition*

Contract revenue is measured at fair value of the consideration received or receivable. Contract revenue includes the work executed as of financial position date which is in process of acceptance from contract customers. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events like variations from the initially agreed amount, penalties arising from delays etc. The estimates often need to be revised as events occur and uncertainties are resolved.

Further significant assumptions are required to estimate the total contracts costs and recoverable variations works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

*Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with its accounting policy stated in note 2.11. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair valueless costs to sell. These calculations require the use of significant estimates.

*Valuation of investment properties*

For investment properties, fair value is determined by independent registered real estate valuers which have relevant experience in the property market.

*Receivable from contract customers and related parties*

*a) Recoverability from contract customers – trade receivables & contract in progress*

*(i) Legal receivables*

The Group has receivables amount of KD 11,457,733 (31 December 2013: KD 10,443,092) from contract customers which are under legal dispute. Presently, the matters are referred by Court and are under various stages. The Group's management is confident and it estimates that the carrying amount of the assets will be recovered in full and are not impaired.

*(ii) Non legal receivables*

The Group has net receivables amount of KD 1,689,220 (31 December 2013: KD 2,655,041) from contract customers with respect to partly or completed contracts. The management is in the process of obtaining acceptance from the contract customers towards work executed and completing the contacts.

Notes to the Consolidated Financial Statements – 31 December 2014

The Group's management is confident and it estimates that the carrying amount of the assets will be recovered in full and is not impaired.

With respect to the above total receivables of KD 13,146,953 (31 December 2013: KD 13,098,133); KD 10,725,814 (31 December 2013: KD 9,193,321) is included in trade receivables and KD 2,421,139 (31 December 2013: KD 3,904,812) is included in contract in progress.

3. **Subsidiaries**

The principal subsidiaries and associate are:

Subsidiary	Country of incorporation	Percentage of Ownership	
		2014	2013
Arabi Company WLL	Kuwait	100%	100%
Arabi Engineering and Mechanical Works Company WLL	Kuwait	100%	100%
Arabi Enertech Co KSCC	Kuwait	73.08%	73.08%
<b>Held through Arabi Company W.L.L.</b>			
Gulf Services & Industrial Supplies Co. L.L.C.	Oman	100%	100%
Arabi Company – Qatar W.L.L.	Qatar	100%	100%
Altec Corporation Limited (Formerly Jayakrishna Aluminium Limited)	India	90.03%	90.03%
Warba Mechanical Equipments L.L.C.	UAE	70%	70%
<b>Associate</b>			
Agricultural Environmental Projects Company W.L.L	Kuwait	40%	40%

The objectives of the Arabi Company W.L.L. and Arabi Engineering and Mechanical Works Company W.L.L. are to carry out all types of trading activities, such as buying, selling, rental, import and export activities, especially those related to technical equipment such as spare parts of machinery, vehicles and tools for garages, carpentries and smitheries, undertaking all types of aluminium works and electrical, mechanical, landscaping and agricultural projects and trading in land, leasing and managing real estate on its own behalf and other parties, owning shares in Kuwaiti and Non-Kuwaiti companies and participating in the management of companies in which it owns shares. 0.05% of the ownership in Arabi Company WLL and 0.20% of the ownership in Arabi Engineering and Mechanical Works Company WLL are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of these shares in the subsidiaries.

Arabi Enertech Co. KSCC is engaged in executing engineering turnkey contracts, sub-contracts, consultancy projects, supply, installation and maintenance of medical equipment and power systems.

The Parent Company has consolidated financial statements of all its subsidiaries which are been audited by independent auditors for the year ended 31 December 2014 while preparing this consolidated financial statements. Total assets of the subsidiaries amounted to KD 111,128,683 as of 31 December 2014 (31 December 2013: KD 78,236,135) and the subsidiaries net profit was KD 1,371,447 for the year ended 31 December 2014 (31 December 2013: KD 1,446,805)

4. Cash and cash equivalents

Cash and bank balances include the following cash and cash equivalents:

	Kuwaiti Dinars	
	2014	2013
Cash on hand	159,642	111,691
Cash at banks	1,870,056	1,053,187
Short term deposits	2,000,000	-
	<u>4,029,698</u>	<u>1,164,878</u>

The effective interest rate on short term deposit was 1% per annum.

5. Trade and other receivables

	Kuwaiti Dinars	
	2014	2013
Trade receivables	43,548,486	32,057,920
Provision for doubtful debts	(4,811,296)	(3,095,644)
	<u>38,737,190</u>	<u>28,962,276</u>
Retentions receivables	2,452,028	1,407,593
Deposits and prepayments	833,248	3,842,045
Others	12,399,617	4,602,681
Advance for share subscription	67,574,000	35,880,000
	<u>121,996,083</u>	<u>74,694,595</u>

The Group has been awarded a bid to invest the equity shares equivalent to 26% in establishing a new company – Kuwait Health Assurance Company (KHAC) in Kuwait against which it has total commitment of KD 97,474,000. As per bid terms, the Group is initially liable to pay KD 67,574,000 towards 50% called-up share capital against the proposed authorized capital, premium and commission. As of 31 December 2014, the Group has paid the entire initial commitment of KD 67,574,000 and is included in trade and other receivables. The said payment was mainly funded to the extent of KD 39,714,000 by availing term loans from bank, KD 5,980,000 from related parties and KD 21,528,000 through third party (note 17). The formalities of establishing a new company and Group's share of interest in it and the arrangement with third party are under process and negotiation.

Reconciliation of provision for impairment of trade and other receivables:

	Kuwaiti Dinars	
	2014	2013
Opening balance – 1 January	3,095,644	2,687,517
Charge for the year	847,316	411,901
Write offs	(348,273)	(3,146)
Others	16,609	(628)
Transfer from due from contract customers	1,200,000	-
Closing balance – 31 December	<u>4,811,296</u>	<u>3,095,644</u>

The Group does not hold any collateral as security.

6. Investments

	Kuwaiti Dinars	
	2014	2013
<b>Investments at fair value through profit &amp; loss:</b>		
Quoted securities held for trading	6,932	8,563
	<u>6,932</u>	<u>8,563</u>
<b>Investments available for sale:</b>		
Unquoted securities	3,597,154	3,211,457
	<u>3,597,154</u>	<u>3,211,457</u>

Unquoted investments of KD 2,210,869 (31 December 2013: KD 1,749,500) are carried at cost less impairment loss as their fair value cannot be reliably measured. Management has recognised KD 468,631 (31 December 2013: KD 150,000) as impairment loss in the consolidated statement of income for some of the investments since the fair value was considered as significantly below their cost.

7. Due from related parties

	Kuwaiti Dinars	
	2014	2013
Due from related parties	9,302,517	8,779,984
Less: Provision for doubtful debts	(5,197,505)	(3,723,995)
	<u>4,105,012</u>	<u>5,055,989</u>

Due from related parties represents short term interest free receivables from related parties.

Reconciliation of provision for impairment of due from related parties:

	Kuwaiti Dinars	
	2014	2013
Opening balance – 1 January	3,723,995	3,723,995
Charge for the year	1,473,510	-
Closing balance – 31 December	<u>5,197,505</u>	<u>3,723,995</u>

8. Contract in progress – due from customers

	Kuwaiti Dinars	
	2014	2013
Contract costs incurred to date	92,971,882	68,753,388
Recognized profit	13,091,042	7,509,538
	<u>106,062,924</u>	<u>76,262,926</u>
Progress billings	(101,590,496)	(69,017,632)
Due from customers	4,472,428	7,245,294
Less: Provision for losses	(664,112)	(1,864,112)
	<u>3,808,316</u>	<u>5,381,182</u>

Notes to the Consolidated Financial Statements – 31 December 2014

During the current year, KD 2,735,718 is transferred from due from contract customers to trade receivable along with its existing provision for impairment of KD 1,200,000.

Reconciliation of provision for impairment of due from contract customers:

	Kuwaiti Dinars	
	2014	2013
Opening balance – 1 January	1,864,112	1,864,112
Transfer to trade and other receivables	(1,200,000)	-
Closing balance – 31 December	664,112	1,864,112

9. Inventories

	Kuwaiti Dinars	
	2014	2013
Inventory	22,510,180	13,016,189
Provision for slow moving items	(2,007,117)	(1,863,557)
	20,503,063	11,152,632
Goods in transit	3,742,606	3,523,901
	24,245,669	14,676,533

Reconciliation of provision for slow moving items is as below:

	Kuwaiti Dinars	
	2014	2013
Opening balance – 1 January	1,863,557	1,783,462
Charge for the year	129,288	83,139
Write back / (write off) / others	14,272	(3,044)
Closing balance -31 December	2,007,117	1,863,557

10. Investment in associate

**Agricultural Environmental Projects Company W.L.L**

This represents the Group's share of investments in associates accounted for using the equity method.

	Kuwaiti Dinars	
	2014	2013
Opening balance	1	1
Group's share of loss - on post recognition and acquisition as associate	-	-
Closing balance	1	1

The Group does not recognize future profit/(loss), as its share of losses in associate exceeds its interest in the associate. The shares of associate are not publicly listed on a stock exchange and hence published price quotes are not available. The assets, liabilities, revenues and loss of associate are as follows:



Notes to the Consolidated Financial Statements – 31 December 2014

	Kuwaiti Dinars			
	Assets	Liabilities	Revenue	Net profit
31 December 2014	2,596,768	2,979,754	1,499,560	10,614
31 December 2013	2,586,794	2,945,824	2,066,754	140,937

11. Investment in properties

	Kuwaiti Dinars	
	2014	2013
Opening balance	2,144,000	1,743,750
Income on fair value of investment properties	271,000	400,250
Closing balance	2,415,000	2,144,000

Fair value of investment properties have been generally derived using market comparable method by two independent valuers. As the significant inputs used are based on unobservable market data, these are classified under level 3 fair value hierarchy. These investment properties have been provided as security against term loan availed from the local bank.

12. Investment in unconsolidated subsidiaries

Name	Percentage of holding %	Kuwaiti Dinars	
		2014	2013
Daleel International Co. W.L.L.	100	-	-
Call to Connect India Private Limited	60	59,288	38,164
Workers Equity Holding – B.S.C. (Closed)	60	442,090	450,856
Mobivision Holding Company – B.S.C. Closed)	60	-	-
Arabi Aviation Company	100	100,000	100,000
KEY BS JLT- WLL	100	-	-
		601,378	589,020

The Group has not consolidated these subsidiaries since they are not material to the consolidated financial statements. The Group's share of profit from these subsidiaries for the year 2014 has been recognised based on their management accounts.

Arabi Group Holdings – K.S.C.P  
Kuwait

Notes to the Consolidated Financial Statements – 31 December 2014

13. Property and equipments

	Kuwaiti Dinars						Total
	Freehold land	Leasehold land and building	Furniture and fixtures	Tools, equipments, computers and software	Machinery and motor vehicles	Capital Work in progress	
<b>Cost</b>							
<b>As at 31 December 2013</b>	1,052,847	7,408,763	2,599,766	3,815,733	1,943,705	-	16,820,814
Additions	-	702	309,893	6,824,983	1,497,401	64,294	8,697,273
Gain on revaluation	-	1,086,303	-	-	-	-	1,086,303
Disposals	-	(973,099)	(176,102)	(2,209)	(80,299)	-	(1,231,709)
Foreign currency translation adjustment	38,869	9,289	31,632	2,098	16,082	-	97,970
<b>As at 31 December 2014</b>	1,091,716	7,531,958	2,765,189	10,640,605	3,376,889	64,294	25,470,651
<b>Accumulated depreciation</b>							
<b>At 31 December 2013</b>	-	2,778,502	1,947,797	2,521,131	1,240,144	-	8,487,574
Charge for the year	-	212,833	293,967	275,988	296,581	-	1,079,369
On disposals	-	(798,788)	(173,659)	(1,173)	(69,336)	-	(1,042,956)
Foreign currency translation adjustment	-	2,260	24,990	1,021	11,427	-	39,698
<b>At 31 December 2014</b>	-	2,194,807	2,093,095	2,796,967	1,478,816	-	8,563,685
<b>Net book value</b>							
<b>At 31 December 2014</b>	1,091,716	5,337,151	672,094	7,843,638	1,898,073	64,294	16,906,966

Notes to the Consolidated Financial Statements – 31 December 2014

	Kuwaiti Dinars					
	Freehold land	Leasehold land and building	Furniture and fixtures	Tools, equipments, computers and software	Machinery and motor vehicles	Total
<b>Cost</b>						
<b>As at 31 December 2012</b>						
Additions	1,054,944	7,409,624	2,506,819	3,770,527	1,603,721	16,345,635
Disposals	-	6,443	450,030	154,357	579,814	1,190,644
Foreign currency translation adjustment	(2,097)	-	(352,594)	(29,811)	(238,571)	(620,976)
<b>As at 31 December 2013</b>	<b>1,052,847</b>	<b>7,408,763</b>	<b>2,599,766</b>	<b>3,815,733</b>	<b>1,943,705</b>	<b>16,820,814</b>
<b>Accumulated depreciation</b>						
<b>At 31 December 2012</b>						
Charge for the year	-	2,584,368	2,065,564	2,452,340	1,219,061	8,321,333
On disposals	-	198,211	200,693	142,993	207,837	749,734
Foreign currency translation adjustment	-	-	(315,905)	(15,130)	(186,205)	(517,240)
<b>At 31 December 2013</b>	<b>-</b>	<b>(4,077)</b>	<b>(2,555)</b>	<b>(59,072)</b>	<b>(549)</b>	<b>(66,253)</b>
<b>Net book value</b>						
<b>At 31 December 2013</b>	<b>1,052,847</b>	<b>4,630,261</b>	<b>651,969</b>	<b>1,294,602</b>	<b>703,561</b>	<b>8,333,240</b>

Buildings are constructed on leasehold land from the Government of Kuwait. Leasehold land is held under a renewable operating lease from the Government of Kuwait. The Group revalued its certain building and lease hold land on 31 December 2014 based on two independent valuers and its value have been generally derived using market comparable method. As the significant valuation input used are based on unobservable market data, these are classified under level 3 fair value hierarchy. The gain on revaluation has been taken to revaluation reserve. The management of the Group decided to revalue said assets every five years. The depreciation charge for the year has been allocated as follows:

	2014	2013
Cost of sales / General and administration expenses	497,500	222,089
Other	581,869	527,645
	<b>1,079,369</b>	<b>749,734</b>

**14. Goodwill**

	Kuwaiti Dinars	
	2014	2013
<b>Cost</b>		
Opening balance – 1 January	595,964	795,964
Less: Impairment loss during the year	(200,000)	(200,000)
Closing balance – 31 December	395,964	595,964

**15. Bank overdrafts and promissory notes**

The effective interest rates on bank overdraft facilities and promissory notes was 2% to 4% per annum (31 December 2014: 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 4,083,939 (31 December 2013: KD 3,646,953) carries an effective interest rate of 2% to 8% (2013: 2% to 8%) per annum over three months LIBOR.

These facilities are secured by the personal guarantees of the shareholders, corporate guarantee of the Group and mortgage of Group's freehold land and buildings and assignment of contract proceeds in favour of the lending banks.

**16. Due to related parties**

This represents interest free temporary advances repayable on demand.

**17. Trade and other payables**

	Kuwaiti Dinars	
	2014	2013
Trade payables	18,384,500	5,014,702
Advances from customers	7,910,927	1,886,693
Accrued staff leave	718,195	602,718
Retentions payable	334,102	699,000
Deferred payment for acquisition of subsidiaries	608,334	196,642
Other accrued expenses	5,103,831	6,541,529
Other payables	21,528,000	21,528,000
	<u>54,587,891</u>	<u>36,469,284</u>

Other payables represent the fund availed through a third party towards Group's payment for KHAC (note 5).

18. Term loans

	Kuwaiti Dinars	
	2014	2013
<b>Current</b>		
Short term loans	45,614,340	11,018,940
Current portion of long term loans	3,307,790	3,163,762
	<u>48,922,130</u>	<u>14,182,702</u>
<b>Non current</b>		
Non current portion of long term loans	22,989,576	21,627,525
	<u>71,911,706</u>	<u>35,810,227</u>

The exposure of Group's borrowings to interest rate changes and the contractual repricing dates at the statement of financial position dates are as follows:

	Kuwaiti Dinars	
	2014	2013
Less than 6 months	48,922,130	14,088,952
6 – 12 months	-	93,750
Above 1 year	22,989,576	21,627,525
	<u>71,911,706</u>	<u>35,810,227</u>

The effective interest rates on short term loans which are repayable within one year was 4% to 8% per annum (31 December 2013: 4% to 8% per annum). These loans are secured by the personal guarantees of shareholders, guarantees from the Company and certain receivables.

Long term loans carry an effective interest rate of 4% to 7.5% per annum (31 December 2013: 4% to 7.5% per annum). These loans are secured against guarantees from the Company, personal guarantee of shareholders and mortgage of properties at Shuaiba, investment properties and certain contract receivables, mortgage of third party properties and undertaking to mortgage 13% of Company's share of proposed Kuwait Health Assurance Company. The portion of the loans maturing within one year from the financial position date is shown as a current liability.

Short term loans includes KD 25,715,000 availed from local bank and the effective interest is 4.5% per annum. The loan is presently granted on unsecured basis and is agreed and committed by the Group and the guarantors to legally mortgage various collaterals within six months of its approval. The Group and guarantors has agreed to mortgage properties of the Group, term deposits of related parties, personal guarantees of shareholders, part of proceeds from the receivables of subsidiaries and related parties and undertaking to mortgage 13% of Company's share of proposed Kuwait Health Assurance Company as security against said loan within the stipulated time. On compliance of all the terms and conditions by the Group, this facility will be renewed by bank thereafter for long term. The loan was due for renewal on 4 November 2014 and as of the reporting date the formalities of its renewal are under process.

**19. Post employment benefit**

	Kuwaiti Dinars	
	2014	2013
Opening balance – 1 January	2,209,912	2,138,581
Additional provision for post employment benefits	608,386	458,037
End of service indemnity paid	(321,061)	(386,706)
Closing balance -31 December	<u>2,497,237</u>	<u>2,209,912</u>

**20. Equity**

The authorized, issued and paid up share capital of the Parent Company comprises of 149,750,859 shares of 100 fils each (31 December 2013: 142,619,866 shares of 100 fils each).

	Kuwaiti Dinars	
	2014	2013
1 January	14,261,986	13,582,844
Bonus issue during the year	713,099	679,142
31 December	<u>14,975,085</u>	<u>14,261,986</u>

At an Extraordinary General Assembly held on 24 June 2014 the shareholders of the Parent Company resolved to amend the Articles of Association to increase the authorized share capital of the Parent Company from KD 14,261,986 (represented by 142,619,866 shares of 100 fils each) to KD 14,975,085 (represented by 149,750,859 shares of 100 fils each). This amendment was entered in the commercial register on 25 August 2014.

*Statutory and voluntary reserve*

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% each of the net profit for the year before board of directors' remuneration and statutory contributions is transferred to statutory reserve and voluntary reserve. Statutory reserve can be utilised for the distribution of a maximum dividend of up to 5% of the share capital in years retained earnings are insufficient for the purpose. There is no restriction on the distribution of voluntary reserve.

*Bonus issue*

At the Annual General Assembly held on 24 June 2014, the shareholders approved the Board of Directors recommendation to distribute bonus shares of 5% to shareholders registered in the Parent Company's records as of the date of Annual General Meeting.

*Proposed dividends*

The Board of Directors recommended distribution of bonus shares 10% on outstanding shares as at 31 December 2014. The proposed dividends, if approved, by the shareholders general assembly shall be payable to the shareholders registered in the Parent Company's records as of the date of the general assembly meeting.

**21. Treasury shares**

	Kuwaiti Dinars	
	2014	2013
Number of shares (share)	5,919,182	5,367,318
Percentage of issued shares (%)	3.95%	3.76%
Market value (KD)	923,392	1,062,729
Cost (KD)	1,381,525	1,328,065

**22. Cost of sales / General & Administration expenses / Contract costs**

	Kuwaiti Dinars	
	2014	2013
Materials	51,027,718	34,508,419
Staff cost	11,892,907	9,682,301
Rent	661,129	770,643
Depreciation	497,500	222,089
Commission	435,310	306,626
Other operating and administrative expenses	2,497,252	2,665,772
	<u>67,011,816</u>	<u>48,155,850</u>

**23. Provision for doubtful debts**

	Kuwaiti Dinars	
	2014	2013
Provision for trade and other receivables (note 5)	847,316	411,901
Provision for due from related parties (note 7)	1,473,510	-
	<u>2,320,826</u>	<u>411,901</u>

**24. Impairment losses**

	Kuwaiti Dinars	
	2014	2013
Impairment loss on trade and other receivables	150,000	-
Impairment loss on investment available for sale (note 6)	468,630	150,000
Impairment loss on goodwill (note 14)	200,000	200,000
	<u>818,630</u>	<u>350,000</u>

**25. Other income**

	Kuwaiti Dinars	
	2014	2013
Commission and discounts	296,316	655,849
Foreign exchange gain	16,681	30,345
Gain on sale of property and equipment	3,778,554	66,033
Others	1,095,827	1,134,475
Dividend	363,409	1,004,801
	<u>5,550,787</u>	<u>2,891,503</u>

**26. Proposed directors remuneration**

For the current year, the Board of Directors proposed directors remuneration of KD 60,000. This is subject to approval by the shareholders general assembly of the Parent Company.

**27. Earnings per share attributable to equity holders of the Parent Company**

Earnings per share based on the weighted average number of shares outstanding the year is as follows:

	Kuwaiti Dinars	
	2014	2013
Profit attributable to equity holders of the Parent Company	2,274,006	1,065,847
	Shares	Shares
Weighted average number of shares outstanding during the year	143,970,135	144,383,541
<b>Earnings per share – Basic and diluted (fils)</b>	<u>15.79</u>	<u>7.38</u>

**28. Related party transactions**

These transactions with certain related parties such as shareholders, directors, executive officers and key management of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise significant influence.

Transactions with related parties during the year other than key management compensation were mainly financing activities. Related party transactions are on terms approved by the management. Balances with related parties are disclosed in notes 7 and 16. Transactions with related parties included in the consolidated statement of income are as follows:

	Kuwaiti Dinars	
	2014	2013
Interest income	35,254	55,958
General and administration expenses	63,000	63,000
Finance charges	373,973	-
Key management compensation	148,700	136,800



## 29. Segment information

The Group operating segments are determined based on the reports reviewed by the chief executive function that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operations segments meet the criteria for reportable segments and are follows:

- Retail operations : Consists of sale equipment and tools.
- Engineering operations : Consists of mechanical projects and sale of related equipment.
- Electrical operations : Consists of electrical projects and sale of related equipment.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The Group measures the performance of operating segments through measure of segment profit or loss net of taxes in management and reporting system.

The following table presents revenue and results information regarding the Group's reportable segments.

	Kuwaiti Dinars				Total
	Retail operations	Engineering operations	Electrical operations	Unallocated items and eliminations	
<b>2014</b>					
Segment revenue	30,668,430	41,829,934	734,530	(60,886)	73,172,008
Segment results	1,256,669	1,121,636	70,043	(196,667)	2,251,681
<b>Other information</b>					
Segment assets	37,526,133	64,407,717	9,194,833	70,979,490	182,108,173
Segment liabilities	20,677,421	60,401,458	8,592,633	66,689,412	156,360,924
Capital expenditure	306,489	8,390,655	129	-	8,697,273
Depreciation	485,092	567,022	1,358	25,897	1,079,369

	Kuwaiti Dinars				Total
	Retail operations	Engineering operations	Electrical operations	Unallocated items and eliminations	
<b>2013</b>					
Segment revenue	25,431,144	22,854,081	2,410,851	(31,523)	50,664,553
Segment results	682,225	745,614	18,966	(203,961)	1,242,844
<b>Other information</b>					
Segment assets	32,190,552	37,479,744	8,565,838	37,619,288	115,855,422
Segment liabilities	16,690,314	34,506,847	8,033,681	34,177,985	93,408,827
Capital expenditure	454,379	736,265	-	-	1,190,644
Depreciation	435,428	278,422	1,521	34,363	749,734

**Secondary reporting format – geographical segment**

The Group operates primarily in countries in the Gulf Co-operation Council and therefore the revenue and assets are mainly from one geographical segment.

**30. Contingent liabilities**

The group was contingently liable in respect of the following

	Kuwaiti Dinars	
	2014	2013
Documentary letters of credit	3,423,926	4,618,615
Letters of guarantees	43,693,751	26,819,723
Letters of acceptance	697,713	488,103
	<u>47,815,390</u>	<u>31,926,441</u>

The Group has guaranteed and is legally responsible to a local bank towards the following credit facilities undertaken on behalf of Agricultural Environment Projects Company W.L.L., a related party.

	Kuwaiti Dinars	
	2014	2013
Due to bank	-	99,918
Letter of guarantee	835,277	1,051,848

**31. Financial instruments- Fair value and Risk Management**

In the normal course of business the Group uses financial instruments, principally cash, deposits, investments at fair value through profit or loss, investments available for sale, trade and other receivables, contract in progress – due from customers, due from/to related parties, term loans, bank overdrafts and promissory notes and trade and other payables.

**Fair value**

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction.

The fair values of financial instruments are not significantly different from their carrying values except for certain unquoted financial instruments that are carried at cost as disclosed in note 6. The carrying value less impairment provision of trade and other receivables and trade and other payables are assumed to approximate their fair values. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. The methods and assumptions used in estimating fair values of financial instruments are disclosed in note 2.5.

**Financial risk factors**

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the senior management under policies approved by the Board of Directors. Senior management identifies and evaluates financial risks in close co-operation with the operating units.

The significant risks that the Group is exposed to are discussed below;

### Market risk

Market risk, comprising of equity price risk, interest rate risk and foreign exchange risk arises due to movements in equity prices of assets, interest rates and foreign currency rates respectively.

#### (a) *Equity price risk*

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Group does not have a significant exposure to equity price risk as significant portion of the investments are unquoted.

#### (b) *Interest rate risk*

Interest rate risk arises from the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from bank borrowings. Borrowings that are at variable rates expose the Group to cash flow interest risk. During 2014 and 2013, the Group's borrowings at variable rate were denominated in Kuwaiti Dinars and US Dollars.

The Group analyses its interest rate exposure by taking into consideration refinancing, renewal of existing positions and alternative financing.

At 31 December 2014, if interest rates at the date had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD 215,055 (2013: KD 164,146).

#### (c) *Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group does not have a significant exposure to foreign exchange risk. The Group manages its foreign exchange risk by setting limits on exposures to currency and counterparty and transacting business in major currencies.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject to the Group to credit risk, consist principally of balance with banks, trade and other receivables, due from related parties and contract in progress – due from customers. The Group manages credit risk by maintaining accounts with local commercial banks of high credit rating. Credit risk with respect to trade and other receivables is limited as these are dispersed over a large number of customers.

The average credit period for trade and other receivables is three months. Group management has established a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are offered. Credit exposure is controlled by counter party limits that are reviewed and approved by Group management.

Notes to the Consolidated Financial Statements – 31 December 2014

The Group's maximum exposure to credit risk is as flows:

	Kuwaiti Dinars	
	2014	2013
Bank balances	3,870,056	1,053,187
Trade and other receivables	53,588,835	34,972,551
Due from related parties	4,105,012	5,055,989
Contract in progress – due from customers	3,808,316	5,381,182
<b>Total</b>	<b>65,372,219</b>	<b>46,462,909</b>

Of the above assets KD 38,539,082 (2013: KD 18,681,561) are neither past due nor impaired and KD 26,833,137 (2013: KD 27,781,348) are past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of assets that are past due but not impaired are as flows:

	Kuwaiti Dinars	
	2014	2013
Up to 6 months	4,627,202	5,407,013
6 months and above	22,205,935	22,374,335
	<u>26,833,137</u>	<u>27,781,348</u>

As of 31 December 2014, assets amounting to KD 10,672,913 (31 December 2013: KD 8,683,751) were impaired against which the Group carries full provision.

Receivables from contract customers amounting to KD 11,457,733 are under legal disputes and their settlements proceeding are with Court, and other receivables contract customers of KD 1,689,220 is with respect to partly completed contracts for which the management is in the process of completing the contracts and its acceptance contract customers towards work executed. The Group has the risk if the outcomes of Court judgments could be against Group and it unable to complete contracts and unable to realize the payments.

#### Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. Liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Parent Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements. The Parent Company's Board of Directors maintains flexibility in funding by maintaining availability under committed credit lines.

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

	Kuwaiti Dinars		
	Less than 1 year	Between 1 and 5 years	Over 5 years
<b>At 31 December 2014</b>			
Bank overdrafts and promissory notes	17,695,793		
Due to related parties	8,350,547		
Trade and other payables	46,676,962		
Term loans	51,227,868	17,913,814	21,131,232
<b>At 31 December 2013</b>			
Bank overdrafts and promissory notes	17,670,601		-
Due to related parties	1,630,242		-
Trade and other payables	34,582,591		-
Term loans	15,173,833	17,058,119	20,380,730

Liquidity risk is managed and monitored by the Group as follows:

1. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
2. The Group may also arrange for short term finance to meet maturing commitments.

### 32. Capital risk management

The Group defines total capital as total shareholders equity and debt as shown in the statement of financial position. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its members and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year and group is not subject to externally imposed capital requirements.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios at 31 December 2014 and 31 December 2013 were as follows:

	Kuwaiti Dinars	
	2014	2013
Total borrowings	90,925,249	53,099,389
Less: cash and cash equivalents (Note 4)	(4,029,698)	(1,164,878)
Net debt	86,895,551	51,934,511
Total equity	24,897,817	21,835,679
	<u>111,793,368</u>	<u>73,770,190</u>
<b>Gearing ratio</b>	77.73%	70.40%

**33. General Assembly of Shareholders**

The shareholders Annual General Assembly held on 24 June 2014 approved the annual audited consolidated financial statements for the year ended 31 December 2013 and approved the Board of Directors recommendation to distribute bonus shares of 5% to shareholders registered in the Parent Company's record as of the date of Annual General Meeting.

**34. Comparative figures**

Certain prior period amounts have been reclassified to conform with the current period presentation but with no effect on profit or equity.