Arabi Group Holdings – K.S.C.P
Kuwait

Independent Auditor's Report and
Consolidated Financial Statements
Year ended 31 December 2015

Accountants &
business advisers

Arabi Group Holdings– K.S.C.P
Kuwait

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PKF Bouresli & Co.
Accountants &
business advisers
P.O. Box 20986, Safat 13070, Kuwait
Tel.: +965 22279330
Fax: +965 22279340
E-mail: tareq@pkf.com.kw
Website: www.pkf.com.kw

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of Nexia International

Kuwait – Sharq – Ahmed Al Jaber St.,
Hyla Building – 2nd floor
Tel: (965) 2423415/7
(965) 22424919
Fax: (965) 22422026
P.O. Box 27387 Safat
13134 – State of Kuwait
Web: www.alwahauditing.com

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 2015 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.

PKF

Al-Waha Auditing Office

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, 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 2015 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 17 to the consolidated financial statements towards funds availed through a third party for Group's investment in associate for which settlement arrangement with third party is under 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.1 of 2016, 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. 1 of 2016, as amended, or of the Articles of Association have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Group or on its consolidated financial position.

Tariq M. Bouresli
License No. 75-A
PKF Bouresli & Co.
Member of PKF International

Ali Owaid Rukheyes
License No. 72-A
Member of Nexia International-(England)
Al Waha Auditing Office

Kuwait
31 March 2016

Arabi Group Holdings – K.S.C.P
Kuwait

Consolidated Statement of Financial Position as at 31 December 2015

Exhibit - A

	Note	Kuwaiti Dinars 2015	2014
Assets			
Current Assets			
Cash and cash equivalents	4	3,927,485	4,029,698
Trade and other receivables	5	57,741,970	121,996,083
Investment at fair value through profit or loss	6	5,658	6,932
Due from related parties	7	4,778,338	4,105,012
Contract in progress – due from customers	8	3,270,743	3,808,316
Inventories	9	24,627,668	24,245,669
		94,351,862	158,191,710
Non-current assets			
Investments available for sale	6	3,486,132	3,597,154
Investment in associate	10	69,304,770	1
Investment properties	11	2,350,000	2,415,000
Investments in unconsolidated subsidiaries	12	551,774	601,378
Property and equipment	13	24,435,806	16,906,966
Goodwill	14	195,964	395,964
		100,324,446	23,916,463
Total assets		194,676,308	182,108,173
Liabilities and equity			
Current liabilities			
Bank overdrafts and promissory notes	15	24,691,347	19,013,543
Due to related parties	16	10,998,652	8,350,547
Trade and other payables	17	54,224,633	54,587,891
Term loans –Current portion	18	34,968,938	48,922,130
		124,883,570	130,874,111
Noncurrent liabilities			
Term loans- Non-current portion	18	39,690,971	22,989,576
Post employment benefits	19	2,922,381	2,497,237
		42,613,352	25,486,813
Equity			
Attributable to the Parent Company's			
Capital	20	16,472,594	14,975,085
Share premium	20	7,877,292	7,877,292
Statutory reserve	20	502,614	462,576
Voluntary reserve	20	502,614	462,576
Treasury share reserve		17,230	17,230
Revaluation reserve		2,223,931	2,223,931
Foreign currency translation adjustments		98,968	(2,546)
Fair valuation reserve		(1,743,063)	(1,632,041)
Retained earnings		593,679	1,895,239
Treasury shares	21	(1,381,525)	(1,381,525)
		25,164,334	24,897,817
Non controlling interest		2,015,052	849,432
Total equity		27,179,386	25,747,249
Total liabilities and equity		194,676,308	182,108,173

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 2015

Exhibit - B

	Note	Kuwaiti Dinars 2015	2014
Sales		46,463,205	41,034,095
Contract revenue		51,780,901	32,137,913
		98,244,106	73,172,008
Cost of sales	22	(35,886,391)	(31,543,783)
Contract costs	22	(43,702,646)	(26,651,612)
		(79,589,037)	(58,195,395)
Gross profit		18,655,069	14,976,613
General and administrative expenses	22	(9,626,122)	(8,816,421)
Depreciation	13	(657,998)	(581,869)
Provision for doubtful debts	23	(877,606)	(2,320,826)
Provision for slow moving inventory	9	(239,426)	(129,288)
Profit from operations		7,253,917	3,128,209
Unrealized loss from investments at fair value through profit or loss		(1,274)	(1,631)
(Loss)/income from investment properties	11	(65,000)	271,000
Share of (loss)/profit of unconsolidated subsidiaries	12	(49,604)	12,358
Impairment losses	24	(200,000)	(818,630)
Other income	25	2,096,263	5,550,787
Interest expenses		(8,135,530)	(5,636,286)
Profit before contribution to KFAS, Zakat, NLST and directors remuneration		898,772	2,505,807
Directors remuneration	26	(25,000)	(60,000)
KFAS		(10,387)	(22,753)
Zakat		(27,942)	(48,964)
NLST		(61,024)	(122,409)
Profit for the year		774,419	2,251,681
Attributable to:			
Equity holders of the Parent Company		276,025	2,274,006
Non controlling interest		498,394	(22,325)
		774,419	2,251,681
Basic and diluted earnings per share for the year (fils)	27	1.74	14.31

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

Arabi Group Holdings – K.S.C.P
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Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

Exhibit - C

	Kuwaiti Dinars	
	2015	**2014**
Profit for the year	774,419	2,251,681
Other comprehensive income:		
Items that may be reclassified subsequently to consolidated statement of income		
Change in foreign currency translation	95,837	91,803
Change in fair value of available for sale investments	(111,022)	(75,673)
Items that will not be reclassified subsequently to consolidated statement of income		
Gain on revaluation of property	-	1,086,303
Other comprehensive income for the year	(15,185)	1,102,433
Total comprehensive income for the year	759,234	3,354,114
Attributable to:		
Equity holders of the Parent Company	266,517	3,115,598
Non controlling interest	492,717	238,516
	759,234	3,354,114

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

Arabi Group Holdings – K.S.C.P
Kuwait

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

Exhibit – D

	Kuwaiti Dinars												
	Equity attributable to the Parent Company's Shareholders											Non controlling interest	Total Equity
	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares reserve	Revaluation reserve	Foreign currency translation adjustments	Fair valuation reserve	Retained earnings	Treasury shares	Total		
Balance at 31 December 2014	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
Total comprehensive income for the year	-	-	-	-	-	-	101,514	(111,022)	276,025	-	266,517	492,717	759,234
Transfer to reserves	-	-	40,038	40,038	-	-			(80,076)	-	-	-	-
Issue of bonus shares note 20	1,497,509	-	-	-	-	-	-	-	(1,497,509)	-	-	-	-
Contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	672,903	672,903
Balance at 31 December 2015	16,472,594	7,877,292	502,614	502,614	17,230	2,223,931	98,968	(1,743,063)	593,679	(1,381,525)	25,164,334	2,015,052	27,179,386
Balance at 31 December 2013	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)
Balance at 31 December 2014	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

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

Arabi Group Holdings - K.S.C.P
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Consolidated Statement of Cash Flows for the year ended 31 December 2015

Exhibit - E

	Note	Kuwaiti Dinars	
		2015	**2014**
Cash flows – operating activities			
Profit for the year		774,419	2,251,681
Adjustments for:			
Depreciation	13	1,722,174	1,079,369
Unrealized loss from investments at fair value through profit or loss		1,274	1,631
Loss/(income) from investment properties	11	65,000	(271,000)
Shares of loss/(profit) from unconsolidated subsidiaries	12	49,604	(12,358)
Impairment losses	24	200,000	818,630
Gain on sale of sale of property and equipments	25	(358,726)	(3,778,554)
Interest expense		8,135,530	5,636,286
Operating profit before changes in working capital		10,589,275	5,725,685
Decrease/(increase) in trade and other receivables		64,254,113	(47,451,488)
(Increase)/decrease in due from related parties		(673,326)	950,977
Decrease in due from customers for contract work		537,573	1,572,866
Increase in inventories		(381,999)	(9,569,136)
(Decrease)/increase in trade and other payables		(363,258)	18,118,607
Increase in due to related parties		2,648,105	6,720,305
Increase in post employment benefits		425,144	287,325
Net cash from/(used in) operating activities		77,035,627	(23,644,859)
Cash flows from investing activities			
Purchase of property and equipment – net		(9,442,469)	(8,755,545)
Proceeds from sale of property and equipment – net		550,181	3,967,307
Acquisition of available for sale of investments		-	(930,000)
Acquisition of investment in associate		(69,304,769)	-
Net cash used in investing activities		(78,197,057)	(5,718,238)
Cash flow from financing activities			
Increase in bank overdrafts and promissory notes		5,677,804	1,724,381
Increase in term loans		2,748,203	36,101,479
Interest paid		(8,135,530)	(5,636,286)
Purchase of treasury shares		-	(53,460)
Contribution by minority interest		672,903	-
Net cash from financing activities		963,380	32,136,114
Net (decrease)/increase in cash on hand and at banks		(198,050)	2,773,017
Effect of exchange rate changes on cash and cash equivalents		95,837	91,803
Cash and cash equivalents at the beginning of the year		4,029,698	1,164,878
Cash and cash equivalents at the end of the year	4	3,927,485	4,029,698

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 its 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.

The Companies Law issued on 24 January 2016 pursuant to Decree of Law no.1 of 2016 (the "Companies Law"), has cancelled the Decree of Companies' Law no. 25 of 2012. The new Companies Law was published in the Official Gazette on 1 February 2016.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2016 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 financials statements is prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financials assets held as "at fair value through profit or loss", "available for sale investments" and "investment property".

Changes in accounting policies
The accounting policies used in the preparation of these financial statements are consistent with those used in previous year, except for the adoption of the following amended and improved standards effective from 1 January 2015:

IFRS 3 Business Combinations (Effective for annual periods beginning on or after 1 July 2014)
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value at each reporting date whether or not they fall within the scope of IAS 39.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Effective for annual periods beginning on or after 1 July 2014)
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures (Amendment)
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In

addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IAS 40 Investment Property (Effective for annual periods beginning on or after 1 July 2014)

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

Annual improvement for 2010 – 2012 and 2011 – 2013 cycle which are effective from 1 July 2014 did not have a material impact on the Group.

Standards issued but not yet effective
Relevant standards issued but not yet effective, up to the date of issuance of the Group's financial statements are listed below:

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

IFRS 7 Financial Instruments: Disclosures
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IAS 1 Disclosure Initiative (Amendment)
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing. IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1
- that specific line items in the statement of comprehensive income and other comprehensive income the statement of financial position may be disaggregated
- that entities have flexibility as to the order in which they present the notes to financial statements
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of income and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

The Group intends to adopt these standards and amendments when they become effective. However, the Group expects no material impact from the adoption of the amendments on its financial position or performance.

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 van 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 far 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 reliable 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 11,622,121 (31 December 2014: KD 11,457,733) 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 1,561,508 (31 December 2014: KD 1,689,220) 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. 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 13,183,629 (31 December 2014: KD 13,146,953); KD 10,897,946 (31 December 2014: KD 10,725,814) is included in trade receivables and KD 2,285,683 (31 December 2014: KD 2,421,139) is included in contract in progress.

3. Subsidiaries

The principal subsidiaries and associate are:

Subsidiary	Country of incorporation	Percentage of Ownership	
		2015	2014
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%
Held through Arabi Company W.L.L.			
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%
Associate			
Kuwait Health Assurance Company KSCC	Kuwait	26%	-
Agricultural Environmental Projects Company W.L.L	Kuwait	40%	40%

The objectives of Arabi Company WLL are: practicing all trading business of selling, purchasing, renting, leasing, importing and exporting, especially on business related to the technical equipment such as the spare parts of all machineries, vehicles, garage equipment, executing electric and mechanical contracting works, selling and purchasing lands for the Company only, and renting, leasing, and managing the same for the Company and others, landscaping and maintenance of gardens and agricultural contracting, importing industrial equipments and machines, owning shares in Kuwaiti or foreign shareholding companies, as well as owning shares or stocks in Kuwaiti or foreign limited liability companies, or participating in both types of these companies, selling of safety and security equipment and tools, packing and packaging of non food stuff and fire extinguishers (upon the approval of the Public Authority of Industry), installation and maintenance of water devices, systems, and accessories (upon the approval of the Public Authority of Industry).

The objectives of Arabi Engineering and Mechanical Works Company WLL are: selling, purchasing, importing and exporting machineries and mechanical and electrical equipment and spare parts for these machines, equipment and all other types of spare parts, technical maintenance works and generally do all the technical business that are consistent with the objectives of the Company, selling and purchasing lands and owning them for the Company only and renting, leasing, and managing them for the Company and others, and general contracting only.

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.

The objectives of Arabi Enertech Co. KSCC are: construction contracting, trading in all machineries, and technical and scientific equipment for hospitals and laboratories, contracting of cooling equipment and mechanical devices and their installation and maintenance, electrical extensions contracting, contracting of cleaning cities (contracting of cleaning buildings and roads and transportation of waste and debris), transportation of valuable materials and guarding facilities, contracting of public buildings only, trading of industrial, electrical, and electronic machineries, equipment, and tools and maintenance of electrical and electronic devices, import and export and commission agent, and metal structures work (blacksmithing). During the year 2015, its paid up capital has been increased from KD 8,025,000 to KD 10,025,000.

The Parent Company has consolidated financial statements of all its subsidiaries which are been audited by independent auditors for the year ended 31 December 2015 while preparing this consolidated financial statements. Total assets of the subsidiaries amounted to KD 127,870,977 as of 31 December 2015 (31 December 2015: KD 111,128,683) and the subsidiaries net profit was KD 3,542,909 for the year ended 31 December 2015 (31 December 2014: KD 1,371,447)

4. Cash and cash equivalents

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

	Kuwaiti Dinars	
	2015	**2014**
Cash on hand	212,698	159,642
Cash at banks	993,290	1,870,056
Short term deposits	2,721,497	2,000,000
	3,927,485	4,029,698

The effective interest rate on short term deposit was 1% (2014:1%) per annum.

5. Trade and other receivables

	Kuwaiti Dinars	
	2015	**2014**
Trade receivables	48,536,040	43,548,486
Provision for doubtful debts	(5,651,132)	(4,811,296)
	42,884,908	38,737,190
Retentions receivables	2,898,722	2,452,028
Deposits and prepayments	608,279	833,248
Others	11,350,061	12,399,617
Advance for share subscription	-	67,574,000
	57,741,970	121,996,083

Reconciliation of provision for impairment of trade and other receivables:

	Kuwaiti Dinars	
	2015	2014
Opening balance – 1 January	4,811,296	3,095,644
Charge for the year	877,606	847,316
Write offs	(56,053)	(348,273)
Others	18,283	16,609
Transfer from due from contract customers	-	1,200,000
Closing balance – 31 December	5,651,132	4,811,296

The Group does not hold any collateral as security.

6. Investments

	Kuwaiti Dinars	
	2015	2014
Investments at fair value through profit & loss:		
Quoted securities held for trading	5,658	6,932
	5,658	6,932
Investments available for sale:		
Unquoted securities	3,486,132	3,597,154
	3,486,132	3,597,154

Unquoted investments of KD 2,210,869 (31 December 2014: KD 2,210,869) are carried at cost less impairment loss as their fair value cannot be reliably measured. Management has recognised KD Nil (31 December 2014: KD 468,631) 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	
	2015	2014
Due from related parties	9,975,843	9,302,517
Less: Provision for doubtful debts	(5,197,505)	(5,197,505)
	4,778,338	4,105,012

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	
	2015	2014
Opening balance – 1 January	5,197,505	3,723,995
Charge for the year	-	1,473,510
Closing balance – 31 December	5,197,505	5,197,505

8. Contract in progress – due from customers

	Kuwaiti Dinars	
	2015	2014
Contract costs incurred to date	111,099,571	92,971,882
Recognized profit	17,035,436	13,091,042
	128,135,007	106,062,924
Progress billings	(124,200,152)	(101,590,496)
Due from customers	3,934,855	4,472,428
Less: Provision for losses	(664,112)	(664,112)
	3,270,743	3,808,316

During the year 2014, 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	
	2015	2014
Opening balance – 1 January	664,112	1,864,112
Transfer to trade and other receivables	-	(1,200,000)
Closing balance – 31 December	664,112	664,112

9. Inventories

	Kuwaiti Dinars	
	2015	2014
Inventory	23,220,703	22,510,180
Provision for slow moving items	(2,253,017)	(2,007,117)
	20,967,686	20,503,063
Goods in transit	3,659,982	3,742,606
	24,627,668	24,245,669

Reconciliation of provision for slow moving items is as below:

	Kuwaiti Dinars	
	2015	2014
Opening balance – 1 January	2,007,117	1,863,557
Charge for the year	239,426	129,288
Write back / (write off) / others	6,474	14,272
Closing balance -31 December	2,253,017	2,007,117

10. Investment in associate

The Group has the following investment in associates:

Associates	Percentage of ownership	Kuwaiti Dinars 2015	Kuwaiti Dinars 2014
Kuwait Health Assurance Company KSCC	26%	69,304,769	-
Agricultural Environmental Projects Company W.L.L	40%	1	1
		69,304,770	1

Following are the movement on investment in associates:

	Kuwaiti Dinars 2015	Kuwaiti Dinars 2014
Opening balance	1	1
Transfer from trade and other receivables	69,304,769	-
Closing balance	69,304,770	1

Kuwait Health Assurance Company KSCC (KHAC) in Kuwait

The Group has been awarded the bid to invest in the equity shares equivalent to 26% in establishing a new company – Kuwait Health Assurance Company (KHAC) in Kuwait as a strategic investor against tender issued from Kuwait Investment Authority (on behalf of the Government of Kuwait).

During the current year, all the formalities of establishing a new company (KHAC) have been completed and accordingly, the Group has accounted KD 69,304,769 as investment in associates as per IAS 28. Previously, it was disclosed as advance under trade and other receivables. Investment in associates includes the purchase price and other costs attributable to its acquisition.

The investment in associate is carried at initial cost which consists of KD 29,900,000 towards 50% of the share capital of KHAC subscribed by the Group, KD 35,880,000 towards amount paid by the Group as added value for winning the bid as a strategic investor for obtaining 26% the equity shares in KHAC, and KD 3,524,769 as other transaction costs.

The associate has not commenced its operation and the financial statements are not available to report Group's share in associate's net assets.

The Group has further commitment of KD 29,900,000 as its capital contribution towards balance 50% uncalled and unpaid share capital whenever it is called up by KHAC.

The Group has promise to mortgage entire 26% its share in KHAC against loans obtained by the Group as disclosed in note 18.

Agricultural Environmental Projects Company W.L.L

The Group does not recognize future profit/(loss), as its share of losses in associate exceeds its interest in the associate. The assets, liabilities, revenues and loss of associate are as follows:

	Kuwaiti Dinars			
	Assets	**Liabilities**	**Revenue**	**Net profit**
31 December 2015	2,458,655	2,817,063	1,002,449	24,610
31 December 2014	2,596,768	2,979,754	1,499,560	10,614

The shares of associates are not publicly listed on a stock exchange and hence published price quotes are not available.

11. Investment properties

	Kuwaiti Dinars	
	2015	**2014**
Opening balance	2,415,000	2,144,000
Income on fair value of investment properties	(65,000)	271,000
Closing balance	2,350,000	2,415,000

Fair value of investment properties have been generally derived using market comparable method by two independent valuators. 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 2015	Kuwaiti Dinars 2014
Daleel International Co. W.L.L.	100	-	-
Call to Connect India Private Limited	60	9,834	59,288
Workers Equity Holding – B.S.C. (Closed)	60	441,940	442,090
Mobivision Holding Company – B.S.C. Closed)	60	-	-
Arabi Aviation Company	100	100,000	100,000
KEY BS JLT- WLL	100	-	-
		551,774	601,378

The Group has not consolidated these subsidiaries since they are not material to the consolidated financial statements. The Group's share of loss from these subsidiaries for the year 2015 has been recognised based on their management accounts.

13. Property and equipments

	Kuwaiti Dinars						
	Freehold land	**Leasehold land and building**	**Furniture and fixtures**	**Tools, equipments, computers and software**	**Machinery and motor vehicles**	**Capital Work in progress**	**Total**
Cost							
As at 31 December 2014	1,091,716	7,531,958	2,765,189	10,640,605	3,376,889	64,294	25,470,651
Additions	-	52,358	371,526	5,970,258	439,530	2,551,277	9,384,949
Transfers	-	-	-	64,294	-	(64,294)	-
Disposals	(159,143)	-	(73,346)	(148,758)	(42,695)	-	(423,942)
Foreign currency translation adjustment	38,651	9,978	31,460	2,142	16,462	-	98,693
As at 31 December 2015	971,224	7,594,294	3,094,829	16,528,541	3,790,186	2,551,277	34,530,351
Accumulated depreciation							
At 31 December 2014	-	2,194,807	2,093,095	2,796,967	1,478,816	-	8,563,685
Charge for the year	-	242,971	288,629	644,748	545,826	-	1,722,174
On disposals	-	-	(62,335)	(128,403)	(41,749)	-	(232,487)
Foreign currency translation adjustment	-	2,511	25,567	740	12,355	-	41,173
At 31 December 2015	-	2,440,289	2,344,956	3,314,052	1,995,248	-	10,094,545
Net book value							
At 31 December 2015	971,224	5,154,005	749,873	13,214,489	1,794,938	2,551,277	24,435,806

	Kuwaiti Dinars						
	Freehold land	**Leasehold land and building**	**Furniture and fixtures**	**Tools, equipments, computers and software**	**Machinery and motor vehicles**	**Capital Work in progress**	**Total**
Cost							
As at 31 December 2013	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
As at 31 December 2014	1,091,716	7,531,958	2,765,189	10,640,605	3,376,889	64,294	25,470,651
Accumulated depreciation							
At 31 December 2013	-	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
At 31 December 2014	-	2,194,807	2,093,095	2,796,967	1,478,816	-	8,563,685
Net book value							
At 31 December 2014	1,091,716	5,337,151	672,094	7,843,638	1,898,073	64,294	16,906,966

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 valuators and its value have been generally derived using market comparable method. As the significant valuation inputs 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:

	2015	**2014**
Cost of sales / General and administration expenses	1,064,176	497,500
Other	657,998	581,869
	1,722,174	1,079,369

14. Goodwill

	Kuwaiti Dinars	
	2015	**2014**
Cost		
Opening balance – 1 January	395,964	595,964
Less: Impairment loss during the year	(200,000)	(200,000)
Closing balance – 31 December	195,964	395,964

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 3,373,499 (31 December 2014: KD 4,083,939) carries an effective interest rate of 2% to 7.5% (2014: 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 temporary advances repayable on demand.

17. Trade and other payables

	Kuwaiti Dinars	
	2015	**2014**
Trade payables	20,491,105	18,384,500
Advances from customers	6,109,379	7,910,927
Accrued staff leave	1,132,749	718,195
Retentions payable	328,377	334,102
Deferred payment for acquisition of subsidiaries	-	608,334
Other accrued expenses	4,635,023	5,103,833
Other payables	21,528,000	21,528,000
	54,224,633	54,587,891

Other payables of KD 21,528,000 are towards funds availed from a third party for Group's investment in associate KHAC. The settlement arrangement with the third party is under negotiation.

18. Term loans

	Kuwaiti Dinars	
	2015	2014
Current		
Short term loans	23,842,708	45,614,340
Current portion of long term loans	11,126,230	3,307,790
	34,968,938	48,922,130
Non current		
Non-current portion of long term loans	39,690,971	22,989,576
	74,659,909	71,911,706

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	
	2015	2014
Less than 6 months	34,468,938	48,922,130
6 – 12 months	500,000	-
Above 1 year	39,690,971	22,989,576
	74,659,909	71,911,706

The effective interest rates on short term loans which are repayable within one year was 4% to 8% per annum (31 December 2014: 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 2014: 4% to 7.5%). These loans are secured against guarantees from the Company, personal guarantee and shares of shareholders, mortgage of Group's properties, investment properties, certain contract receivables, mortgage of third party properties, term deposits of subsidiary, term deposits of related parties, part of proceeds from the receivables of subsidiaries and related parties and promise to mortgage entire 26% of Company's share of Kuwait Health Assurance Company KSCC. The portion of the loans maturing within one year from the financial position date is shown as a current liability.

19. Post employment benefit

	Kuwaiti Dinars	
	2015	2014
Opening balance – 1 January	2,497,237	2,209,912
Additional provision for post employment benefits	925,703	608,386
End of service indemnity paid	(500,559)	(321,061)
Closing balance -31 December	2,922,381	2,497,237

20. Equity

The authorized, issued and paid up share capital of the Parent Company comprises of 164,725,945 shares of 100 fils each (31 December 2014: 149,750,859 shares of 100 fils each).

	Kuwaiti Dinars	
	2015	**2014**
1 January	14,975,085	14,261,986
Bonus issue during the year	1,497,509	713,099
31 December	16,472,594	14,975,085

At an Extraordinary General Assembly held on 14 June 2015 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 14,975,085 (represented by 149,750,859 shares of 100 fils each) to KD 16,472,594 (represented by 164,725,945 shares of 100 fils each). This amendment was entered in the commercial register on 15 July 2015.

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 14 June 2015, the shareholders approved the Board of Directors recommendation to distribute bonus shares of 10% 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 5% on outstanding shares as at 31 December 2015. 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	
	2015	**2014**
Number of shares (share)	6,511,518	5,919,182
Percentage of issued shares (%)	3.95%	3.95%
Market value (KD)	533,944	923,392
Cost (KD)	1,381,525	1,381,525

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

	Kuwaiti Dinars	
	2015	2014
Materials	63,156,051	51,027,718
Staff cost	21,477,750	11,892,907
Rent	767,577	661,129
Depreciation	1,064,176	497,500
Commission	480,519	435,310
Other operating and administrative expenses	2,269,086	2,497,252
	89,215,159	67,011,816

23. Provision for doubtful debts

	Kuwaiti Dinars	
	2015	2014
Provision for trade and other receivables (note 5)	877,606	847,316
Provision for due from related parties (note 7)	-	1,473,510
	877,606	2,320,826

24. Impairment losses

	Kuwaiti Dinars	
	2015	2014
Impairment loss on trade and other receivables	-	150,000
Impairment loss on investment available for sale (note 6)	-	468,630
Impairment loss on goodwill (note 14)	200,000	200,000
	200,000	818,630

25. Other income

	Kuwaiti Dinars	
	2015	2014
Commission and discounts	470,839	296,316
Foreign exchange gain	1,014	16,681
Gain on sale of property and equipment	358,726	3,778,554
Others	694,770	1,095,827
Legal claim received	570,914	-
Dividend	-	363,409
	2,096,263	5,550,787

26. Proposed directors remuneration

For the current year, the Board of Directors proposed directors remuneration of KD 25,000. 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	
	2015	**2014**
Profit attributable to equity holders of the Parent Company	276,025	2,274,006
	Shares	Shares
Weighted average number of shares outstanding during the year	158,214,427	158,945,221
Earnings per share – Basic and diluted (fils)	1.74	14.31

Earnings per share have been restated for the year ended 31 December 2014 as result of the effect of the issue of bonus shares.

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	
	2015	**2014**
Interest income	39,590	35,254
General and administration expenses	63,000	63,000
Finance charges	354,867	373,973
Key management compensation	186,000	148,700

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				
	Retail operations	Engineering operations	Electrical operations	Unallocated items and eliminations	Total
2015					
Segment revenue	34,557,288	61,019,603	2,695,790	(28,575)	98,244,106
Segment results	1,521,902	1,994,634	26,373	(2,768,490)	774,419
Other information					
Segment assets	39,549,293	78,285,464	10,036,220	66,805,331	194,676,308
Segment liabilities	21,082,840	69,784,572	9,407,646	67,221,864	167,500,422
Capital expenditure	308,328	9,076,621	-	-	9,384,949
Depreciation	581,092	1,139,905	1,035	142	1,722,174

	Kuwaiti Dinars				
	Retail operations	Engineering operations	Electrical operations	Unallocated items and eliminations	Total
2014					
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
Other information					
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

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	
	2015	**2014**
Documentary letters of credit	2,131,805	3,423,926
Letters of guarantees	47,591,837	43,693,751
Letters of acceptance	158,112	697,713
	49,881,754	47,815,390

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	
	2015	**2014**
Due to bank	100,508	-
Letter of guarantee	840,149	835,277

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 acknowledgeable, 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 2015 and 2014, 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 2015, 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 249,205 (2014: KD 215,055).

(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.

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

	Kuwaiti Dinars	
	2015	**2014**
Bank balances	3,714,787	3,870,056
Trade and other receivables	57,133,691	53,588,835
Due from related parties	4,778,338	4,105,012
Contract in progress – due from customers	3,270,743	3,808,316
Total	68,897,558	65,372,219

Of the above assets KD 40,108,751 (2014: KD 38,539,082) are neither past due nor impaired and KD 28,788,807 (2014: KD 26,833,137) 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	
	2015	**2014**
Up to 6 months	6,403,909	4,627,202
6 months and above	22,384,898	22,205,935
	28,788,807	26,833,137

As of 31 December 2015, assets amounting to KD 11,512,749 (31 December 2014: KD 10,672,913) were impaired against which the Group carries full provision.

Receivables from contract customers amounting to KD 11,622,121 are under legal disputes and their settlements proceeding are with Court, and other receivables contract customers of KD 1,561,508 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**
At 31 December 2015			
Bank overdrafts and promissory notes	25,776,447	-	-
Due to related parties	10,998,652	-	-
Trade and other payables	48,115,254	-	-
Term loans	36,593,705	42,885,126	9,360,085
At 31 December 2014			
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

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

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 2015 and 31 December 2014 were as follows:

	Kuwaiti Dinars	
	2015	**2014**
Total borrowings	99,351,256	90,925,249
Less: cash and cash equivalents (Note 4)	(3,927,485)	(4,029,698)
Net debt	95,423,771	86,895,551
Total equity	25,164,334	24,897,817
	120,588,105	111,793,368
Gearing ratio	79.13%	77.73%

33. General Assembly of Shareholders

The shareholders Annual General Assembly held on 14 June 2015 approved the annual audited consolidated financial statements for the year ended 31 December 2014 and approved the Board of Directors recommendation to distribute bonus shares of 10% to shareholders registered in the Parent Company's record as of the date of Annual General Meeting.