Arabi Group Holdings – K.S.C.P
Kuwait

Independent Auditor's Report and
Consolidated Financial Statements
Year ended 31 December 2016

PKF

Accountants &
business advisers

Al-Waha Auditing Office

Arabi Group Holdings– K.S.C.P
Kuwait

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holdings K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arabi Group Holdings K.S.C.P. ('the Company) and its subsidiaries (together called "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of income, comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("the IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 2016 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matters below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition on construction contracts involves significant judgment

The constructions contract is complex and exposes the Group to various business and financial reporting risks. The recognition of revenue and the estimation of the outcome of construction contracts require significant management judgment, in particular with respect to estimation the cost to complete and the amounts of variation orders to be recognized. In addition, significant management judgment is required to assess the consequences of various legal proceedings in respect of construction contracts. Reference is made to 2.19 Notes to the Consolidated Financial Statements: Critical accounting judgments' and estimates policies – Estimates uncertainty: Revenue recognition and recoverability from contract customers – trade receivables and contract in progress.

We identified revenue from construction contracts as a significant risk, requiring special audit consideration. Our audit procedures included an evaluation of the significant judgments' made by management, amongst others based on an examination of the associated contracts documentation and discussion on the status of contracts under progress with finance and technical staff of the Group. We also tested the controls that the Group has put in place over its process to record contract costs and contract revenues and the calculation of the stage of completion. Furthermore, we discussed the status of legal proceedings in respect of construction contracts, examined various documents in this respect and obtained lawyers' letters.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the annual after the date of our audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it became available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the 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, and its executive regulation, and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016, and its executive regulation, or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Group or on its consolidated financial position.

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Al Waha Auditing Office

Kuwait
30 March 2017

Arabi Group Holdings – K.S.C.P
Kuwait

Consolidated Statement of Financial Position as at 31 December 2016

Exhibit - A

	Note	Kuwaiti Dinars 2016	2015
Assets			
Current Assets			
Cash and cash equivalents	4	4,007,718	3,927,485
Trade and other receivables	5	81,261,424	57,741,970
Investment at fair value through profit or loss	6	5,774	5,658
Due from related parties	7	2,719,716	4,778,338
Contract in progress – due from customers	8	3,378,807	3,270,743
Inventories	9	22,550,212	24,627,668
		113,923,651	94,351,862
Non-current assets			
Investments available for sale	6	5,744,227	3,486,132
Investment in associate	10	69,422,871	69,304,770
Investment properties	11	2,330,000	2,350,000
Investments in unconsolidated subsidiaries	12	565,543	551,774
Property and equipment	13	23,274,637	24,435,806
Goodwill	14	-	195,964
		101,337,278	100,324,446
Total assets		215,260,929	194,676,308
Liabilities and equity			
Current liabilities			
Bank overdrafts and promissory notes	15	22,739,439	24,691,347
Due to related parties	16	13,739,997	10,998,652
Trade and other payables	17	43,614,006	54,224,633
Term loans –Current portion	18	51,841,851	34,968,938
		131,935,293	124,883,570
Noncurrent liabilities			
Term loans- Non-current portion	18	46,365,408	39,690,971
Post employment benefits	19	3,364,036	2,922,381
		49,729,444	42,613,352
Equity			
Attributable to the Parent Company's			
Capital	20	17,296,224	16,472,594
Share premium	20	7,877,292	7,877,292
Statutory reserve	20	554,248	502,614
Voluntary reserve	20	324,297	502,614
Treasury share reserve		17,230	17,230
Revaluation reserve		2,223,931	2,223,931
Foreign currency translation adjustments		121,627	98,968
Fair valuation reserve		309,626	(1,743,063)
Retained earnings		241,752	593,679
Treasury shares	21	(1,381,525)	(1,381,525)
		27,584,702	25,164,334
Non controlling interest		6,011,490	2,015,052
Total equity		33,596,192	27,179,386
Total liabilities and equity		215,260,929	194,676,308

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 2016

Exhibit - B

	Note	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
Sales		38,248,043	46,463,205
Contract revenue		59,834,416	51,780,901
		98,082,459	98,244,106
Cost of sales	22	(26,969,602)	(35,886,391)
Contract costs	22	(42,587,099)	(43,702,646)
		(69,556,701)	(79,589,037)
Gross profit		28,525,758	18,655,069
General and administrative expenses	22	(10,260,080)	(9,626,122)
Depreciation	13	(582,962)	(657,998)
Provision for doubtful debts	23	(3,427,745)	(877,606)
Provision for slow moving inventory	9	(163,411)	(239,426)
Profit from operations		14,091,560	7,253,917
Unrealized gain/(loss) from investments at fair value through profit or loss		116	(1,274)
Share of results from associates	10	118,101	-
Loss from investment properties	11	(20,000)	(65,000)
Share of results of unconsolidated subsidiaries	12	13,769	(49,604)
Impairment losses	24	(3,883,534)	(200,000)
Other income	25	1,333,950	2,096,263
Interest expenses		(8,643,717)	(8,135,530)
Profit before contribution to KFAS, Zakat, NLST and directors remuneration		**3,010,245**	**898,772**
Directors remuneration	26	(30,000)	(25,000)
KFAS		(38,527)	(10,387)
Zakat		(53,411)	(27,942)
NLST		(49,382)	(61,024)
Profit for the year		**2,838,925**	**774,419**
Attributable to:			
Equity holders of the Parent Company		345,020	276,025
Non controlling interest		2,493,905	498,394
		2,838,925	**774,419**
Basic and diluted earnings per share for the year (fils)	27	2.08	1.66

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

Exhibit - C

	Kuwaiti Dinars	
	2016	**2015**
Profit for the year	2,838,925	774,419
Other comprehensive income:		
Items that may be reclassified subsequently to consolidated statement of income		
Change in foreign currency translation	23,339	95,837
Change in fair value of available for sale investments	(63,368)	(111,022)
Impairment loss on investment available for sale transferred to the consolidated statement of income	2,406,701	-
Other comprehensive income for the year	2,366,672	(15,185)
Total comprehensive income for the year	5,205,597	759,234
Attributable to:		
Equity holders of the Parent Company	2,420,368	266,517
Non controlling interest	2,785,229	492,717
	5,205,597	759,234

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 2016

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 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
Total comprehensive income for the year	-	-	-	-	-	-	22,659	2,052,689	345,020	-	2,420,368	2,785,229	5,205,597
Transfer to reserves	-	-	51,634	51,634	-	-	-	-	(103,268)	-	-	-	-
Issue of bonus shares note 20	823,630	-	-	(229,951)	-	-	-	-	(593,679)	-	-	-	-
Contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	1,211,209	1,211,209
Balance at 31 December 2016	17,296,224	7,877,292	554,248	324,297	17,230	2,223,931	121,627	309,626	241,752	(1,381,525)	27,584,702	6,011,490	33,596,192
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

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 2016

Exhibit - E

	Note	Kuwaiti Dinars	
		2016	**2015**
Cash flows – operating activities			
Profit for the year		2,838,925	774,419
Adjustments for:			
Depreciation	13	1,855,410	1,722,174
Unrealized (gain)/loss from investments at fair value through profit or loss		(116)	1,274
Share of results from associate		(118,101)	-
Loss from investment properties	11	20,000	65,000
Shares of results from unconsolidated subsidiaries	12	(13,769)	49,604
Impairment losses	24	3,883,534	200,000
Gain on sale of sale of property and equipments	25	(13,051)	(358,726)
Interest expense		8,643,717	8,135,530
Operating profit before changes in working capital		17,096,549	10,589,275
(Increase)decrease in trade and other receivables		(23,519,454)	64,254,113
Decrease/(increase) in due from related parties		2,058,622	(673,326)
(Increase)/decrease in due from customers for contract work		(108,064)	537,573
Decrease/(increase) in inventories		2,077,456	(381,999)
Decrease in trade and other payables		(10,610,627)	(363,258)
Increase in due to related parties		2,741,345	2,648,105
Increase in post employment benefits		441,655	425,144
Net cash (used in)/from operating activities		(9,822,518)	77,035,627
Cash flows from investing activities			
Purchase of property and equipment – net		(4,044,493)	(9,442,469)
Proceeds from sale of property and equipment – net		3,363,306	550,181
Acquisition of available for sale of investments		(4,532,335)	-
Disposal of available for sale of investments		930,000	-
Acquisition of investment in associate		-	(69,304,769)
Net cash used in investing activities		(4,283,522)	(78,197,057)
Cash flow from financing activities			
(Decrease)/increase in bank overdrafts and promissory notes		(1,951,908)	5,677,804
Increase in term loans		23,547,350	2,748,203
Interest paid		(8,643,717)	(8,135,530)
Contribution by minority interest		1,211,209	672,903
Net cash from financing activities		14,162,934	963,380
Net increase/(decrease) in cash on hand and at banks		56,894	(198,050)
Effect of exchange rate changes on cash and cash equivalents		23,339	95,837
Cash and cash equivalents at the beginning of the year		3,927,485	4,029,698
Cash and cash equivalents at the end of the year	4	4,007,718	3,927,485

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 new Companies Law No.1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new executive regulation of Law No.1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the executive regulations of Law No. 25 of 2012.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2017 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 following new and revised Standards and Interpretations have been adopted in the current year. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements. Amendments to:

- IAS 7 in respect of the disclosure initiative regarding changes in liabilities arising from cash flows. The additional disclosure will help investors to evaluate changes in liabilities arising from financing activities, including changes in cash flows and non-cash changes, such as foreign exchange gains or losses.

- IAS 12 with regards to the recognition of a deferred tax asset relating to the unrealized losses. The amendment is a narrow-scope amendment and provides clarity as to when a deferred tax asset may be recognized for unrealized losses on debt instruments measured at fair value.

Standards and Interpretations issued but not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018. IFRS 15 replaces IAS 18 and IAS 11 (and the related interpretations) and introduces the principal that revenue is recognised when control of a good or service transfers to a customer.

- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019. IFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between finance and operating leases is removed. Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low value leases.

- IFRS 2 in respect of Share-based Payment Transactions will be effective for accounting periods beginning on or after 1 January 2018. The amendments provide additional guidance with respect to the classification and measurement requirements of cash-settled share-based payment transactions as well as transactions where the entity has to withhold amounts due to local tax requirements.

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 2.10. 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 12,176,436 (31 December 2015: KD 11,622,121) 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 1,696,543 (31 December 2015: KD 1,561,508) 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 13,872,979 (31 December 2015: KD 13,183,629); KD 11,279,018 (31 December 2015: KD 10,897,946) is included in trade receivables and KD 2,593,961 (31 December 2015: KD 2,285,683) is included in contract in progress.

3. Subsidiaries

The principal subsidiaries and associate are:

Subsidiary	Country of incorporation	Percentage of Ownership	
		2016	2015
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%	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 2016, its paid up capital has been increased from KD 10,525,000 to KD 15,025,000.

The Parent Company has consolidated financial statements of all its subsidiaries which are been audited by independent auditors for the year ended 31 December 2016 while preparing this consolidated financial statements. Total assets of the subsidiaries amounted to KD 157,247,281 as of 31 December 2016 (31 December 2015: KD 127,870,977) and the subsidiaries net profit was KD 10,784,751 for the year ended 31 December 2016 (31 December 2015: KD 3,542,909)

4. Cash and cash equivalents

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

	Kuwaiti Dinars	
	2016	**2015**
Cash on hand	278,303	212,698
Cash at banks	980,557	993,290
Short term deposits	2,748,858	2,721,497
	4,007,718	3,927,485

The effective interest rate on short term deposit was 1% (2015:1%) per annum.

5. Trade and other receivables

	Kuwaiti Dinars	
	2016	**2015**
Trade receivables	75,189,828	48,536,040
Provision for doubtful debts	(6,377,260)	(5,651,132)
	68,812,568	42,884,908
Retentions receivables	3,294,988	2,898,722
Deposits and prepayments	2,846,375	608,279
Others	6,307,493	11,350,061
	81,261,424	57,741,970

Reconciliation of provision for impairment of trade and other receivables:

	Kuwaiti Dinars	
	2016	**2015**
Opening balance – 1 January	5,651,132	4,811,296
Charge for the year	853,874	877,606
Write offs	(132,824)	(56,053)
Others	5,078	18,283
Closing balance – 31 December	6,377,260	5,651,132

The Group does not hold any collateral as security.

6. Investments

	Kuwaiti Dinars	
	2016	**2015**
Investments at fair value through profit & loss:		
Quoted securities held for trading	5,774	5,658
	5,774	5,658
Investments available for sale:		
Unquoted securities	5,744,227	3,486,132
	5,744,227	3,486,132

Unquoted investments of KD 282,335 (31 December 2015: KD 2,210,869) are carried at cost less impairment loss as their fair value cannot be reliably measured. Management has recognised KD

3,687,570 (31 December 2015: KD Nil) 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	
	2016	**2015**
Due from related parties	5,237,397	9,975,843
Less: Provision for doubtful debts	(2,517,681)	(5,197,505)
	2,719,716	4,778,338

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	
	2016	**2015**
Opening balance – 1 January	5,197,505	5,197,505
Charge during the year	2,573,871	-
Written off during the year	(5,253,695)	-
Closing balance – 31 December	2,517,681	5,197,505

8. Contract in progress – due from customers

	Kuwaiti Dinars	
	2016	**2015**
Contract costs incurred to date	151,164,241	111,099,571
Recognized profit	24,162,768	17,035,436
	175,327,009	128,135,007
Progress billings	(171,284,090)	(124,200,152)
Due from customers	4,042,919	3,934,855
Less: Provision for losses	(664,112)	(664,112)
	3,378,807	3,270,743

Reconciliation of provision for impairment of due from contract customers:

	Kuwaiti Dinars	
	2016	**2015**
Opening balance – 1 January	664,112	664,112
Closing balance – 31 December	664,112	664,112

9. Inventories

	Kuwaiti Dinars	
	2016	**2015**
Inventory	18,277,342	23,220,703
Provision for slow moving items	(2,274,441)	(2,253,017)
	16,002,901	20,967,686
Goods in transit	6,547,311	3,659,982
	22,550,212	24,627,668

Reconciliation of provision for slow moving items is as below:

	Kuwaiti Dinars	
	2016	**2015**
Opening balance – 1 January	2,253,017	2,007,117
Charge for the year	163,411	239,426
Write back / (write off) / others	(141,987)	6,474
Closing balance -31 December	2,274,441	2,253,017

10. Investment in associate

The Group has the following investment in associates:

Associates	Percentage of ownership	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
Kuwait Health Assurance Company KSCP	26%	69,422,870	69,304,769
Agricultural Environmental Projects Company W.L.L	40%	1	1
		69,422,871	69,304,770

Movement in investment in associates are as follows:

	Kuwaiti Dinars	
	2016	**2015**
At beginning of the year	69,304,770	1
Transfer from trade and other receivables	-	69,304,769
Share of results	118,101	-
At end of the year	69,422,871	69,304,770

Kuwait Health Assurance Company KSCP (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 year 2015, 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. Initial cost 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.

Presently, the associate is in pre-operational phase and has not commenced its commercial operations.

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 acquisition of an associate was mainly funded by availing term loans from banks, funds received from related parties and through third party (note 17). The Group has promise to mortgage entire 26% its share in KHAC against loans obtained by the Group as disclosed in note 18.

The Group's share of profit from an associate for the year has been recognized based on their audited financial statements. 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 profit of associate are as follows:

	Kuwaiti Dinars			
	Assets	**Liabilities**	**Revenue**	**Net profit**
31 December 2016	118,897,739	243,504	3,002,625	454,235

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 profit of associate are as follows:

	Kuwaiti Dinars			
	Assets	**Liabilities**	**Revenue**	**Net profit**
31 December 2016	2,159,791	2,542,656	305,049	20,542
31 December 2015	2,458,655	2,817,063	1,002,449	24,610

11. Investment properties

	Kuwaiti Dinars	
	2016	**2015**
Opening balance	2,350,000	2,415,000
Income on fair value of investment properties	(20,000)	(65,000)
Closing balance	2,330,000	2,350,000

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 2016	Kuwaiti Dinars 2015
Daleel International Co. W.L.L.	100	-	-
Call to Connect India Private Limited	60	23,752	9,834
Workers Equity Holding – B.S.C. (Closed)	60	441,791	441,940
Mobivision Holding Company – B.S.C. Closed)	60	-	-
Arabi Aviation Company	100	100,000	100,000
KEY BS JLT- WLL	100	-	-
		565,543	551,774

The Group has not consolidated these subsidiaries since they are not material to the consolidated financial statements. The Group's share of results from these subsidiaries for the year 2016 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 2015	971,224	7,594,294	3,094,829	16,528,541	3,790,186	2,551,277	34,530,351
Additions		45,672	360,447	1,230,111	646,151	1,760,687	4,043,068
Disposals	-	-	(23,321)	(3,527,439)	(106,554)	-	(3,657,314)
Foreign currency translation adjustment	6,847	683	5,789	(35,255)	3,239	-	(18,697)
As at 31 December 2016	978,071	7,640,649	3,437,744	14,195,958	4,333,022	4,311,964	34,897,408
Accumulated depreciation							
At 31 December 2015	-	2,440,289	2,344,956	3,314,052	1,995,248	-	10,094,545
Charge for the year	-	240,336	333,206	662,772	619,096	-	1,855,410
On disposals	-	-	(18,959)	(188,957)	(99,143)	-	(307,059)
Foreign currency translation adjustment	-	(271)	5,543	(28,352)	2,955	-	(20,125)
At 31 December 2016	-	2,680,354	2,664,746	3,759,515	2,518,156	-	11,622,771
Net book value							
At 31 December 2016	978,071	4,960,295	772,998	10,436,443	1,814,866	4,311,964	23,274,637

	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

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:

	2016	2015
Cost of sales / General and administration expenses	1,272,448	1,064,176
Other	582,962	657,998
	1,855,410	1,722,174

14. Goodwill

	Kuwaiti Dinars	
	2016	**2015**
Cost		
Opening balance – 1 January	195,964	395,964
Less: Impairment loss during the year	(195,964)	(200,000)
Closing balance – 31 December	-	195,964

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 2015: 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 2,980,050 (31 December 2015: KD 3,373,499) carries an effective interest rate of 2% to 7.5% (2015: 2% to 7.5%) 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	
	2016	**2015**
Trade payables	11,708,591	20,491,105
Advances from customers	3,811,507	6,109,379
Accrued staff leave	1,503,637	1,132,749
Retentions payable	324,679	328,377
Other accrued expenses	4,737,592	4,635,023
Other payables	21,528,000	21,528,000
	43,614,006	54,224,633

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	
	2016	**2015**
Current		
Short term loans	38,347,019	23,842,708
Current portion of long term loans	13,494,832	11,126,230
	51,841,851	34,968,938
Non current		
Non-current portion of long term loans	46,365,408	39,690,971
	98,207,259	74,659,909

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	
	2016	**2015**
Less than 6 months	43,341,851	34,468,938
6 – 12 months	8,500,000	500,000
Above 1 year	46,365,408	39,690,971
	98,207,259	74,659,909

The effective interest rates on short term loans which are repayable within one year was 4% to 8% per annum (31 December 2015: 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 2015: 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	
	2016	**2015**
Opening balance – 1 January	2,922,381	2,497,237
Additional provision for post employment benefits	978,432	925,703
End of service indemnity paid	(536,777)	(500,559)
Closing balance -31 December	3,364,036	2,922,381

20. Equity

The authorized, issued and paid up share capital of the Parent Company comprises of 172,962,242 shares of 100 fils each (31 December 2015: 164,725,945 shares of 100 fils each).

	Kuwaiti Dinars	
	2016	**2015**
1 January	16,472,594	14,975,085
Bonus issue during the year	823,630	1,497,509
31 December	17,296,224	16,472,594

At an Extraordinary General Assembly held on 20 June 2016 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 16,472,594 (represented by 164,725,945 shares of 100 fils each) to KD 17,296,224 (represented by 172,962,242 shares of 100 fils each). This amendment was entered in the commercial register on 1 August 2016.

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 20 June 2016, the shareholders approved the Board of Directors recommendation to distribute bonus shares of 5% amounting to KD 593,679 from retained earnings and KD 229,951 from voluntary reserves to shareholders registered in the Parent Company's records as of the date of Annual General Meeting.

21. Treasury shares

	Kuwaiti Dinars	
	2016	**2015**
Number of shares (share)	6,836,655	6,511,518
Percentage of issued shares (%)	3.95%	3.95%
Market value (KD)	444,383	533,944
Cost (KD)	1,381,525	1,381,525

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

	Kuwaiti Dinars	
	2016	**2015**
Materials	50,431,654	63,156,051
Staff cost	24,050,935	21,477,750
Rent	785,989	767,577
Depreciation	1,272,448	1,064,176
Commission	486,444	480,519
Other operating and administrative expenses	2,789,311	2,269,086
	79,816,781	89,215,159

23. Provision for doubtful debts

	Kuwaiti Dinars	
	2016	**2015**
Provision for trade and other receivables (note 5)	853,874	877,606
Provision for due from related parties (note 7)	2,573,871	-
	3,427,745	877,606

24. Impairment losses

	Kuwaiti Dinars	
	2016	**2015**
Impairment loss on investment available for sale (note 6)	3,687,570	-
Impairment loss on goodwill (note 14)	195,964	200,000
	3,883,534	200,000

25. Other income

	Kuwaiti Dinars	
	2016	**2015**
Commission and discounts	277,518	470,839
Foreign exchange gain	14,211	1,014
Gain on sale of property and equipment	13,051	358,726
Others/provision no longer required	903,570	694,770
Legal claim received	-	570,914
Dividend	125,600	-
	1,333,950	2,096,263

26. Proposed directors remuneration

For the current year, the Board of Directors proposed directors remuneration of KD 30,000. 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	
	2016	**2015**
Profit attributable to equity holders of the Parent Company	345,020	276,025
	Shares	Shares
Weighted average number of shares outstanding during the year	166,125,512	166,450,724
Earnings per share – Basic and diluted (fils)	2.08	1.66

Earnings per share have been restated for the year ended 31 December 2015 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	
	2016	**2015**
Interest income	-	39,590
General and administration expenses	63,000	63,000
Finance charges	359,783	354,867
Key management compensation	186,000	186,000

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
2016					
Segment revenue	33,524,141	61,549,929	3,052,744	(44,355)	98,082,459
Segment results	1,367,719	9,386,362	30,670	(7,945,826)	2,838,925
Other information					
Segment assets	39,806,757	106,705,214	10,735,310	58,013,648	215,260,929
Segment liabilities	19,949,248	83,238,155	10,076,066	68,401,268	181,664,737
Capital expenditure	326,074	3,716,994	-	-	4,043,068
Depreciation	490,804	1,363,920	686	-	1,855,410

	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	167,496,922
Capital expenditure	308,328	9,076,621	-	-	9,384,949
Depreciation	581,092	1,139,905	1,035	142	1,722,174

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	
	2016	**2015**
Documentary letters of credit	2,108,095	2,131,805
Letters of guarantees	76,154,395	47,591,837
Letters of acceptance	67,892	158,112
	78,330,382	49,881,754

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	
	2016	**2015**
Due to bank	100,479	100,508
Letter of guarantee	250	840,149

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 2016 and 2015, 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 2016, 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 371,870 (2015: KD 249,205).

(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	
	2016	**2015**
Bank balances	3,729,415	3,714,787
Trade and other receivables	78,415,049	57,133,691
Due from related parties	2,719,716	4,778,338
Contract in progress – due from customers	3,378,807	3,270,743
Total	88,242,987	68,897,559

Of the above assets KD 42,291,125 (2015: KD 40,108,751) are neither past due nor impaired and KD 45,951,862 (2015: KD 28,788,807) 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	
	2016	**2015**
Up to 6 months	6,987,393	6,403,909
6 months and above	38,964,469	22,384,898
	45,951,862	28,788,807

As of 31 December 2016, assets amounting to KD 9,559,053 (31 December 2015: KD 11,512,749) were impaired against which the Group carries full provision.

Receivables from contract customers amounting to KD 12,176,436 are under legal disputes and their settlements proceeding are with Court, and other receivables contract customers of KD 1,696,543 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 2016			
Bank overdrafts and promissory notes	25,163,950	-	-
Due to related parties	13,739,997	-	-
Trade and other payables	39,802,500	-	-
Term loans	53,905,993	49,850,262	9,472,187
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

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 2016 and 31 December 2015 were as follows:

	Kuwaiti Dinars	
	2016	**2015**
Total borrowings	120,946,698	99,351,256
Less: cash and cash equivalents (Note 4)	(4,007,718)	(3,927,485)
Net debt	116,938,980	95,423,771
Total equity	27,584,702	25,164,334
	144,523,682	120,588,105
Gearing ratio	*80.91%*	*79.13%*

33. General Assembly of Shareholders

The shareholders Annual General Assembly held on 20 June 2016 approved the annual audited consolidated financial statements for the year ended 31 December 2015 and approved the Board of Directors recommendation to distribute bonus shares of 5% amounting to KD 593,679 from retained earnings and KD 229,951 from voluntary reserves to shareholders registered in the Parent Company's record as of the date of Annual General Meeting.