



His Highness  
**Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah**  
Amir of The State of Kuwait



His Highness  
**Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah**  
Crown Prince of The State of Kuwait



His Highness  
**Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah**  
The Prime Minister of The State of Kuwait





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**Dear valued shareholders,**

It is our pleasure to gather here today for Kuwait & Gulf Link Transport Company's General Assembly to present to you the Board of Directors' Annual Report, Consolidated Financial Statements and its notes in addition to the Auditor's report of the company's business for the fiscal year ended 31/12/2015.

**Financial Indicators**

The operating revenue for the year 2015 amounted to K.D 34,230,599 comparing to the amount of K.D 29,839,767 for the fiscal year 2014 with an increase of K.D 4,390,832 representing the percentage of 14.71%. The total of operating expenses for the year 2015 amounted to K.D 27,105,305 comparing to the amount of K.D 24,727,820 for the fiscal year 2014, an increase of K.D 2,377,485 representing a percentage of 9.61%. The company's profit for the year 2015 reached the amount of K.D 2,134,655 comparing to the amount of K.D 972,559 for the fiscal year 2014 with an increase of KD1,162,096 representing percentage of 119.49%.

**Distributing profits & BOD members' remunerations:**

The BOD recommends the General Assembly with the following:

- Not to distribute profit for the fiscal year ended 31st December 2015.
- Not to distribute remunerations to the members of the Board of Directors for the fiscal year ended 31st December 2015.

**The financial benefits granted to the BOD members:**

There have been no benefits granted to the members of the Board of Directors for the fiscal year ended 2015.

**The financial benefits granted to the Managing Directors:**

Financial benefits have been granted to the Managing Directors with the amount of K.D 260,640 for the fiscal year 2015.

**Company's future plan:**

In the year 2016 the company's management looks forward to developing and expanding the firm's services both locally and regionally striving to acquire new projects and contracts to achieve the desired profits for the shareholders' benefits. Simultaneously, management aim on winning more projects and contracts amidst their current deals with the support of government agencies and the private sector.

Finally, we extend our sincere thanks to all the company's employees for their continuous efforts and dedication to their work.

We beseech Allah Almighty to bless us with progress and prosperity under the distinguished leadership of his Highness the Amir of Kuwait, His Highness the Crown Prince, His Highness the Prime Minister and his distinguished government.

We also extend gratitude on your behalf and in the name of the Board of Directors, to all the employees at the Ministries and Institutions for facilitating our business.

Peace, mercy and blessing of the Almighty may be upon you.

**Chairman**  
**Saeed Esmail Dashti**

**Saeed Esmail Dashti**  
Chairman

**Hussain Jafar Al Sayegh, Ph.D.**  
Vice Chairman

**Mohammed Ali Hussain Al Issa**  
Board Member

**Maher Abdullah Marafie**  
Board Member

**Adnan Saud Al Rashed**  
Board Member

**Yaqoub Abdullah Al Wazzan**  
Board Member

**Mohammed Abdullah Al Wazzan**  
Board Member

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KUWAIT AND GULF LINK TRANSPORT COMPANY K.P.S.C.  
AND ITS SUBSIDIARIES

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DECEMBER 31, 2015  
WITH INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT

### THE SHAREHOLDERS KUWAIT AND GULF LINK TRANSPORT COMPANY K.P.S.C. STATE OF KUWAIT

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait and Gulf Link Transport Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2015 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines it necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.


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


#### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group (Kuwait and Gulf Link Transport Company and its subsidiaries) as at December 31, 2015 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

#### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company, physical counting was carried out in accordance with recognized practices and the consolidated financial statements together with the financial contents of the report of the Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate the information that is required by the Companies' Law no. 1 of year 2016 and related Executive Regulations (note 3/1), law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its regulations and the Parent Company's memorandum and articles of association. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 1 of year 2016 and related Executive Regulations, law no. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its regulations nor of the Parent Company's memorandum and articles of association during the year ended December 31, 2015 that might have had a material effect on the Group's business or its consolidated financial position.

  
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Ali A. Al- Hasawi  
Licence No.30-A  
Rödl Middle East  
Burgan – International Accountants

  
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Qais M. Al Nisf  
Licence No. 38 "A"  
BDO Al Nisf & Partners

March 24, 2016  
State of Kuwait



	Note	2015 KD	2014 KD
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	5	65,592,114	60,654,941
Intangible assets		808,622	808,622
Investment in associates	6	55,943,014	53,945,004
Investment properties	8	22,527,840	23,068,070
Available for sale financial assets	9	1,582,325	1,757,243
		<b>146,453,915</b>	<b>140,233,880</b>
<b>Current assets</b>			
Inventories	10	1,924,692	1,808,941
Trade and other receivables	11	27,501,938	28,363,495
Due from related parties	12	7,079,641	7,309,374
Financial assets at fair value through profit or loss	13	20,256,351	20,762,955
Cash and bank balances	14	1,872,578	1,303,819
		<b>58,635,200</b>	<b>59,548,584</b>
		<b>205,089,115</b>	<b>199,782,464</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	15	26,427,300	26,427,300
Share premium	16	25,954,132	25,954,132
Statutory reserve	17	339,146	117,577
Voluntary reserve	18	339,146	117,577
Treasury shares	19	(153)	(153)
Treasury shares reserve		53,166	53,166
Foreign currency translation reserve		(3,181,600)	(2,985,505)
Retained earnings		1,780,225	88,708
Equity attributable to owners of the Parent Company		51,711,362	49,772,802
Non-controlling interests		2,497,196	2,580,424
<b>Total equity</b>		<b>54,208,558</b>	<b>52,353,226</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for staff indemnity		2,693,148	2,331,653
Non-current portion of term loans	20	103,095,278	101,345,222
		<b>105,788,426</b>	<b>103,676,875</b>
<b>Current liabilities</b>			
Current portion of term loans	20	9,755,695	4,084,091
Trade and other payables	21	23,473,010	27,879,647
Due to related parties	12	11,574,394	11,108,794
Bank overdrafts	22	289,032	679,831
		<b>45,092,131</b>	<b>43,752,363</b>
<b>Total liabilities</b>		<b>150,880,557</b>	<b>147,429,238</b>
<b>Total equity and liabilities</b>		<b>205,089,115</b>	<b>199,782,464</b>

Saeed Esmail Dashti  
Chairman

Dr. Hussain J. Al-Sayegh  
Vice Chairman

The accompanying notes form an integral part of these consolidated financial statements.

	Note	2015 KD	2014 KD
Revenues		34,230,599	29,839,767
Cost of revenues		(27,105,305)	(24,727,820)
<b>Gross profit</b>		<b>7,125,294</b>	<b>5,111,947</b>
Share of results of associates	6	3,045,035	3,207,021
Unrealized loss on financial assets at fair value through profit or loss		(506,604)	(100,279)
Change in fair value of investment properties	8	(540,230)	2,737,630
Loss on disposal of property, plant and equipment		(1,149,552)	(234,226)
Other income	23	5,390,402	3,425,283
Impairment loss on investment in associate	6	(119,000)	–
Provision for slow moving inventories	10	–	(250,000)
Provision for doubtful debts	11	–	(87,188)
General and administrative expenses	24	(8,060,331)	(8,168,286)
Finance costs		(2,990,135)	(4,637,996)
<b>Net profit before deductions</b>		<b>2,194,879</b>	<b>1,003,906</b>
National Labour Support Tax ("NLST")	25	–	(31,585)
Zakat	25	(21,839)	(60,641)
Kuwait Foundation for Advancement of Sciences	25	(30,200)	(12,792)
Board of directors remuneration	25	(29,000)	(21,000)
<b>Net profit for the year</b>		<b>2,113,840</b>	<b>877,888</b>
<b>Attributable to:</b>			
Owners of the Parent Company		2,134,655	972,559
Non-controlling interests		(20,815)	(94,671)
		<b>2,113,840</b>	<b>877,888</b>
<b>Earnings per share attributable to owners of the Parent Company (basic and diluted) (fils)</b>			
	26	8.08	3.68

The accompanying notes form an integral part of these consolidated financial statements.

	2015	2014
	KD	KD
Net profit for the year	2,113,840	877,888
<b>Other comprehensive income items</b>		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange difference on translation of foreign Operations	(258,508)	(865,056)
<b>Other comprehensive loss for the year</b>	(258,508)	(865,056)
<b>Total comprehensive income for the year</b>	<b>1,855,332</b>	<b>12,832</b>
<b>Attributable to:</b>		
Owners of the Parent Company	1,938,560	106,261
Non-controlling interests	(83,228)	(93,429)
	<b>1,855,332</b>	<b>12,832</b>

### Operating activities

Net profit for the year

Adjustments for:

Depreciation

Finance costs

Other income

Impairment loss on investment in associate

Share of results of associates

Unrealized loss on financial assets at fair value through profit or loss

Change in fair value of investment properties

Loss on disposal of property, plant and equipment

Provision for slow moving inventories

Provision for doubtful debts

Provision for staff indemnity

**Operating profit before working capital changes**

Inventories

Trade and other receivables

Related parties-net

Trade and other payables

**Cash generated from operations**

Staff indemnity paid

**Net cash from operating activities**

### Investing activities

Purchase of available for sale financial assets

Investment in associates-net

Dividend received from associates

Purchase of property, plant and equipment

Improvement of investment property

Proceeds from disposal of property, plant and equipment

**Net cash used in investing activities**

### Financing activities

Net movement in term loans

Finance costs paid

Change in non-controlling interests

**Net cash from/(used in) financing activities**

### Foreign currency translation adjustment

**Net increase/(decrease) in cash and cash equivalents**

**Cash and cash equivalents at beginning of the year**

**Cash and cash equivalents at end of the year**

Note	2015	2014
	KD	KD
	2,113,840	877,888
5	5,484,197	5,552,031
23	2,990,135	4,637,996
	(4,765,710)	(878,591)
6	(878,591)	–
6	119,000	–
6	(3,045,035)	(3,207,021)
	506,604	100,279
8	540,230	(2,737,630)
	1,149,552	234,226
	–	250,000
	–	87,188
	407,872	453,268
	<b>5,500,685</b>	<b>5,369,634</b>
	(115,751)	(24,480)
	861,557	(1,966,201)
	804,521	1,890,263
	(2,442,276)	3,743,531
	<b>4,608,736</b>	<b>9,012,747</b>
	(46,377)	(160,706)
	<b>4,562,359</b>	<b>8,852,041</b>
	(10,200)	(114,370)
	(600,000)	(7,478,912)
	1,431,106	–
	(16,717,036)	(4,749,123)
	–	(10,893)
	5,076,487	3,283,212
	<b>(10,819,643)</b>	<b>(9,070,086)</b>
	9,615,660	3,899,987
	(2,382,786)	(4,637,996)
	–	130,242
	<b>7,232,874</b>	<b>(607,767)</b>
	(16,032)	(400,100)
	959,558	(1,225,912)
	623,988	1,849,900
14	<b>1,583,546</b>	<b>623,988</b>

The accompanying notes form an integral part of these consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.



	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at January 1, 2014	26,427,300	25,954,132	15,649	15,649	(153)	53,166	(2,119,207)	125,194	50,471,730	1,738,422	52,210,152
Profit for the year	-	-	-	-	-	-	-	972,559	972,559	(94,671)	877,888
Other comprehensive (loss)/income for the year	-	-	-	-	-	-	(866,298)	-	(866,298)	1,242	(865,056)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(866,298)	972,559	106,261	(93,429)	12,832
Change in non-controlling interests	-	-	-	-	-	-	-	(805,189)	(805,189)	935,431	130,242
Transfer to reserves	-	-	101,928	101,928	-	-	-	(203,856)	-	-	-
Balance at December 31, 2014	26,427,300	25,954,132	117,577	117,577	(153)	53,166	(2,985,505)	88,708	49,772,802	2,580,424	52,353,226
Balance at January 1, 2015	26,427,300	25,954,132	117,577	117,577	(153)	53,166	(2,985,505)	88,708	49,772,802	2,580,424	52,353,226
Profit for the year	-	-	-	-	-	-	-	2,134,655	2,134,655	(20,815)	2,113,840
Other comprehensive loss for the year	-	-	-	-	-	-	(196,095)	-	(196,095)	(62,413)	(258,508)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(196,095)	2,134,655	1,938,560	(83,228)	1,855,332
Transfer to reserves	-	-	221,569	221,569	-	-	-	(443,138)	-	-	-
<b>Balance at December 31, 2015</b>	<b>26,427,300</b>	<b>25,954,132</b>	<b>339,146</b>	<b>339,146</b>	<b>(153)</b>	<b>53,166</b>	<b>(3,181,600)</b>	<b>1,780,225</b>	<b>51,711,362</b>	<b>2,497,196</b>	<b>54,208,558</b>

The accompanying notes form an integral part of these consolidated financial statements.

## 1. General Information

Kuwait and Gulf Link Transport Company K.P.S.C. ("the Parent Company") was incorporated in the State of Kuwait on 1 May 1982. The Parent Company is listed in Kuwait Stock Exchange.

The Group comprises the Parent Company and its subsidiaries. Details of the subsidiaries (together referred to as "the Group") are set out in note no. 7.

Principal activities as defined in the Parent Company's Articles of Association are:

- General cargo & stevedoring service at sea ports
- Container terminal operator
- General cargo transport & handling services
- Container transport & handling services
- Heavy equipment lease services
- Heavy lift transport services
- Light vehicle lease services
- International overland passenger services
- Shipping lines – agency services
- Customs clearance services
- Fuel haulage services
- Municipal services
- Cleaning services
- Garbage collection and transportation services
- Skilled and semi skilled manpower services
- Investment through portfolio managers

The Parent Company's registered office is P.O. Box 24565 - Safat 13106 - State of Kuwait.

These consolidated financial statements of the Group for the year ended December 31, 2015 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on March 24, 2016. The shareholders' general assembly has the power to amend these consolidated financial statements after issuance.

## 2. Application of new and revised International Financial Reporting Standards (IFRSs)

### 2/1) Amendments to IFRSs those are mandatorily effective for the current year:

In the current year, the following amendments to IFRSs issued by the International Accounting Standards Board (IASB) are mandatorily effective for an accounting period beginning on or after January 1, 2015:

- **Amendments to IAS 19 "Defined Benefit Plans - Employee Contributions"**  
(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).  
The amendments to IAS 19 to be applied retrospectively, which clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. The amendment has no effect on the consolidated financial statements of the Group.

## 2. Application of new and revised International Financial Reporting Standards (IFRSs)(Continued)

### 2/1) Amendments to IFRSs those are mandatorily effective for the current year: “continued”

- **Amendments to IFRS 2 “Share-based payment”**

(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

The amendment to be applied prospectively, which amended the definitions of vesting condition and market condition and provided definitions for performance condition and service condition, which were previously part of the definition of vesting condition. The amendment has no effect on the consolidated financial statements of the Group.

- **Amendments to IFRS 3 “Business Combinations”**

(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

The amendments to be applied prospectively, which clarified contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. Also, excludes from its scope the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment has no effect on the consolidated financial statements of the Group.

- **Amendments to IFRS 8 “Operating Segments”**

(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

Requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments’ assets to the entity’s assets, if the segment assets are reported regularly. The Group has not applied the aggregation criteria. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in these consolidated financial statements of the Group.

- **Amendments to IFRS 13 “Fair Value Measurement”**

(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial. These amendments are to the basis of conclusions only, with consequential amendments to the bases of conclusions of other standards.

Also, clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments”, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 “Financial Instruments: Presentation”.

These amendments have no effect on the consolidated financial statements of the Group.

- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”**

(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

Clarifies that when an item of property, plant and equipment or an intangible asset is revalued, the gross carrying amount to be adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment has no effect on the consolidated financial statements of the Group.

- **Amendments to IAS 24 “Related Party Disclosures”**

(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

Clarifies that an entity providing key management personnel services to the reporting entity or to the Parent of the reporting entity is considered a related party of the reporting entity. This amendment is not relevant for the Group as it does not receive any management services from other entities.

## 2. Application of new and revised International Financial Reporting Standards (IFRSs)(Continued)

### 2/1) Amendments to IFRSs those are mandatorily effective for the current year: “continued”

- **Amendments to IAS 40 “Investment Property”**

(Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted).

Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 “Business Combinations” and investment property as defined in IAS 40 “Investment Property” requires the separate application of both standards independently of each other. The amendment has no effect on the consolidated financial statements of the Group.

2/2)) New and revised IFRSs in issue but not yet effective:

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- **IFRS 9 “Financial Instruments”**

(Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting.

The final version of IFRS 9 was issued in July 2014, which adds a new expected loss impairment model and limited amendments to the classification and measurement requirements by introducing the “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test. The final version supersedes all previous versions of IFRS 9 and replaces IAS 39. The Group is in the process to quantify the effect on the consolidated financial statements.

- **IFRS 14 “Regulatory Deferral Accounts”**

(Effective for annual periods beginning on or after January 1, 2016)

This standard is applied by first-time adopters of IFRS. The standard is designed as a limited scope standard to provide short-term solution for rate-regulated entities that have not yet adopted IFRS.

- **IFRS 15 “Revenue from Contracts with Customers”**

(Effective for annual periods beginning on or after January 1, 2018 with earlier application permitted).

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related Interpretations when it becomes effective. The standard introduces a five-step approach for revenue recognition to be applied to all contracts with customers.

- **Amendments to IFRS 11 “Accounting for Acquisitions of Interest in Joint Operations”**

(Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 “Business Combinations”. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

- **Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”**

(Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

## 2. Application of new and revised International Financial Reporting Standards (IFRSs)(Continued)

### 2/2) New and revised IFRSs in issue but not yet effective: “continued”

- **Amendments to IAS 27 “Separate Financial Statements”**

(Effective for annual periods beginning on or after January 1, 2016 with earlier application permitted).

The amendments allowed an entity to account for its investment in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost;
- In accordance with IFRS 9; or
- Using the equity method

Also, clarified that when the parent ceases or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The management anticipates that the new standards will be adopted in the Group’s accounting policies for the period beginning on or after the effective date of the pronouncement, and those new standards that have been issued but are not relevant to the Group’s operations are expected not to have a material impact on the Group’s consolidated financial statements.

## 3. Significant accounting policies

### 3/1) Statement of compliance

- The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of Companies Laws in Kuwait.

- Companies law no. 1 of year 2016 (“new law”) was issued on January 24, 2016 and published in the official gazette on February 1, 2016 which has cancelled the companies law no. 25 of year 2012, as amended (“previous law”). The new law shall be applied as of November 26, 2012 and the executive regulation of previous law will continue until the issuance of an executive regulation for the new law within two months of publishing in the official gazette.

### 3/2) Basis of preparation

These consolidated financial statements are prepared under the historical cost convention following accrual basis, adjusted through the revaluation of some assets according to fair value as explained in detail in the following accounting policies and disclosures.

These consolidated financial statements are presented in Kuwaiti Dinars (“KD”), which is the Parent Company’s functional and presentation currency.

The accounting policies adopted by the Group in the preparation of these consolidated financial statements are consistent with those used in the previous year except for changes resulting from amendments to IFRS as mentioned in note 2.

## 3. Significant Accounting Policies (Continued)

### 3/3) Basis of consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries drawn up to 31 December 2015 (see Note 7). All subsidiaries have a reporting date at 31st of December.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The Parent Company controls an investee if all of three of the following elements are present:

- Power over the investee;
- Exposure to variable returns or obtains rights from involvement with the investee; and
- Ability of the investor to use its power to affect the investee returns.

When the Parent Company does not has majority voting rights in the investee, the Parent Company takes into consideration facts and other factors in assessing the control, which include:

- Contractual arrangement between the Parent Company and other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company’s voting rights;
- Other potential voting rights.

The financial statements of subsidiaries acquired or disposed are included in the consolidated financial statements from the date the control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together alike items of assets, liabilities, revenues and expenses. All inter-company balances and transactions, including unrealized profits or losses arising from inter-company transactions, are fully eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events which accrue in similar conditions.

The financial statements of the subsidiaries are prepared for the same date or within three months of the reporting period of the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the subsidiaries’ financial year date and the Parent Company’s financial year date.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity’s share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).



### 3. Significant Accounting Policies (Continued)

#### 3/4) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy (see borrowing costs policy). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss in the period in which they occur.

#### 3/5) Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

If the carrying value of the intangible asset is more than the recoverable amount, the intangible asset is considered impaired and is written down to its recoverable amount. The excess of carrying value over recoverable amount is recognised in the consolidated statement of profit or loss.

#### 3/6) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

### 3. Significant Accounting Policies (Continued)

#### 3/6) Impairment of tangible and intangible assets "continued"

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

#### 3/7) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associate is accounted for under the equity method of accounting, i.e. on the financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value and the consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. The Group's share of those changes is recognised directly in equity; fair value reserve or foreign currency translation reserve as appropriate.

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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

### 3. Significant Accounting Policies (Continued)

#### 3/8) Investment properties

Investment properties are initially recorded at cost, including transaction costs. After initial recognition, investment properties are re-measured and carried at fair value on an individual basis based on an annual external valuation by an independent real estate assessor. Any gain or loss arising either from a re-measurement at fair value or sale is included in the consolidated statement of profit or loss.

#### 3/9) Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognize amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### 3. Significant Accounting Policies (Continued)

#### 3/9) Business combinations and goodwill "continued"

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

#### 3/10) Financial assets

##### **Classification, initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as "loans and receivables", "financial assets at fair value through profit or loss" and "available for sale financial assets". The classification depends on the purpose for which financial assets were acquired and it is determined at initial recognition.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss.

A "regular way" purchase of financial assets is recognised using the 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 by regulations or conventions in the market place.

The Group has not classified any of its financial assets as held to maturity.

##### **Subsequent measurement**

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

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

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

##### **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are remeasured carried at amortised cost using the effective interest rate method, less impairment. Loans and receivables include Cash and Cash equivalents, Trade receivables and Due from related parties.

##### **Amortised cost**

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the interest rate method. The interest rate method amortisation and the losses arising from impairment are recognised in the consolidated statement of profit or loss.



### 3. Significant Accounting Policies (Continued)

#### 3/10) Financial assets “continued”

##### **Subsequent measurement “continued”**

###### *Available for sale financial assets*

Available for sale financial assets include equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available for sale financial assets are measured at fair value with unrealised gain or loss recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recycled to the consolidated statement of profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of profit or loss.

Available for sale financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

##### **Derecognition of financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred substantially all the risks and rewards of ownership.

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

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For equity investments classified as Available for Sale Financial Assets (AFS), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

##### **Impairment of financial assets “continued”**

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Individual impairment is identified at counterparty specific level; following objective evidence the financial asset is impaired. This may be after an interest or principal payment is defaulted or when a contract covenant is breached. The present value of estimated cash flow recoverable is determined after taking into account any security held.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectable, it is written off against the allowance

### 3. Significant Accounting Policies (Continued)

#### 3/10) Financial assets “continued”

##### **Impairment of financial assets “continued”**

account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of profit or loss.

With the exception of AFS equity investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through consolidated statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised through consolidated statement of profit or loss are not reversed through consolidated statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive profit or loss.

#### 3/11) Financial liabilities

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

Financial liabilities are classified as “other than at fair value through profit or loss”. These are subsequently remeasured at amortised cost. Financial liabilities include Term loans, Murahaba payable and Trade and other payables, Due to related parties.

##### *Term Loans and Murahaba payables*

Term loans and murahaba payables are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, term loans and murahaba payable are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated statement of profit or loss over the period of the term loans and murahaba payable on an effective interest method.

##### *Finance costs*

All finance costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

##### *Trade and other payables*

Liabilities are recognised for amount to be paid in the future for goods or services received, whether billed or not. Trade and other payables are subsequently measured at amortised cost using the effective interest method.

##### **Derecognition of financial liabilities**

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

#### 3/12) Cash and cash equivalents

Cash and cash equivalents for the purpose of preparing the consolidated statement of cash flow consist of cash on hand, bank demand account balances, cash balance with portfolio manager and time deposits with maturity period not exceeding three months from the date of deposit (if any) less bank overdrafts.

### 3. Significant Accounting Policies (Continued)

#### 3/13) Inventories

Spare parts are not intended for resale and are valued at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis. All other inventory items are valued at the lower of cost or net realisable value using the weighted average method after making provision for any slow moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

#### 3/14) Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the foreign currency translation reserve. Gains and losses on certain financial instruments are included in fair value reserve for available for sale investments.

Retained earnings include all current and prior period retained profits.

Dividends are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

#### 3/15) Treasury shares

Treasury shares consist of the Group's own shares that have been issued, subsequently reacquired by the Group and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognized in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. 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.

#### 3/16) Provision for staff indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the financial position date, and approximates the present value of the final obligation.

#### 3/17) Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 3. Significant Accounting Policies (Continued)

#### 3/18) Revenue recognition

- Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.
- Revenue from services rendered is recognized in the consolidated statement of profit or loss in proportion to the stage of completion of the transaction at the financial position date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established.
- Rental income is recognised on a straight-line basis over the term of the relevant lease.

#### 3/19) Foreign currency translation

The consolidated financial statements are presented in currency (KD), which is also the functional currency of the Parent Company.

##### *Transactions and balances*

Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

##### *Group companies*

The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the reporting date. Income and expense items are translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

#### 3/20) Finance costs

Finance costs primarily comprise interest on the Group's financing. Finance costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recognised in the consolidated statement of profit or loss in the period in which they are incurred.



### 3. Significant Accounting Policies (Continued)

#### 3/21) Taxation

##### *Contribution to Kuwait Foundation for the Advancement of Sciences*

The Group is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Group's contributions to KFAS are recognised as an expense in the period during which the Group's contribution is legally required. KFAS is imposed at 1% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

##### *National Labour Support tax*

The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

##### *Zakat*

The Group has provided for Zakat in accordance with the requirements of Law No. 46 of 2006. Zakat is imposed at 1% of net profit attributable to the equity holders of the Parent Company, less permitted deductions.

#### 3/22) Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent asset are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

#### 3/23) Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

### 4. Significant accounting judgements and estimation uncertainty

The preparation of consolidated financial position in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial position and the recorded amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events, actual results may differ for those easements.

#### **Accounting judgements**

In the process of applying the Group's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

##### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as financial assets at fair value through profit or loss or as available for sale financial assets.

### 4. Significant accounting judgements and estimation uncertainty (Continued)

#### **Accounting judgements "continued"**

##### *Classification of investments "continued"*

Classification of investments as financial assets at fair value through profit or loss depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as at fair value through profit or loss. All other investments are classified as available for sale.

##### *Classification of properties*

Upon acquisition of a property, the management classifies the properties into either property, plant and equipment or investment property, based on the intention of the management for the use of the property.

The property is classified as investment properties when the intention to earn rentals from property or hold the property for capital appreciation or if the intention is not determined by Group.

##### *Impairment of investments*

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

##### *Useful life of tangible and intangible assets*

As stated in the significant accounting policies note (3), the Group reviews the estimated useful life by which it depreciates its tangible assets and amortizes its intangible assets. The Group's management is convinced that the estimates of useful life for these assets are appropriate.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated 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:

##### *Estimated impairment of goodwill and intangible assets*

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes (3/6). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

##### *Impairment of receivables and other debit balances*

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the consolidated financial position date, gross trade receivables were KD 17,931,250 (2014: KD 17,687,055), and the allowance for doubtful debts was KD 8,467,075 (2014: KD 8,481,192). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognized in the consolidated statement of profit or loss.

#### 4. Significant accounting judgements and estimation uncertainty (Continued)

##### Estimation uncertainty "continued"

###### Impairment of associate

The Group tests whether associate has suffered any impairment, in accordance with the accounting policy stated in notes (3/7). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

###### Impairment of inventory

Inventories are valued at the lower of cost or net realizable value. When inventory becomes old or obsolete, an estimate is made of the related net realizable value on individual basis. As a result, a provision is recorded based on inventory type and degree of ageing or obsolescence.

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
  - current fair value of another instrument that is substantially the same;
  - the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

#### 5. Property, plant and equipment

	Buildings	Vehicles	Machinery	Furniture, computers and cleaning equipment	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD
<b>Cost</b>						
At January 1, 2014	7,832,800	108,898,865	8,966,253	4,705,539	2,376,074	132,779,531
Additions	215,076	4,705,939	43,243	84,506	128	5,048,892
Disposals and transfers	(11,760)	(8,391,497)	(153,624)	(15,188)	(2,151,301)	(10,723,370)
Foreign exchange differences	(10,325)	385,990	(574,221)	51,911	2,726	(143,919)
At December 31, 2014	8,025,791	105,599,297	8,281,651	4,826,768	227,627	126,961,134
Additions	343,350	16,126,327	107,999	118,370	20,990	16,717,036
Disposals and transfers	(7,552)	(7,950,319)	(3,728,558)	(18,688)	(128)	(11,705,245)
Foreign exchange differences	914	236,147	(63,555)	57,195	-	230,701
At December 31, 2015	<b>8,362,503</b>	<b>114,011,452</b>	<b>4,597,537</b>	<b>4,983,645</b>	<b>248,489</b>	<b>132,203,626</b>
<b>Accumulated depreciation</b>						
At January 1, 2014	2,285,518	56,055,653	3,127,782	4,293,443	-	65,762,396
Charge for the year	340,743	4,556,153	411,082	244,053	-	5,552,031
Disposals and transfers	(775)	(4,980,518)	(129,571)	(3,969)	-	(5,114,833)
Foreign exchange differences	(3,239)	171,924	(110,830)	48,744	-	106,599
At December 31, 2014	2,622,247	55,803,212	3,298,463	4,582,271	-	66,306,193
Charge for the year	428,003	4,642,327	217,402	196,465	-	5,484,197
Disposals and transfers	(5,400)	(3,920,221)	(1,440,796)	(3,601)	-	(5,370,018)
Foreign exchange differences	635	148,964	(12,617)	54,158	-	191,140
At December 31, 2015	<b>3,045,485</b>	<b>56,674,282</b>	<b>2,062,452</b>	<b>4,829,293</b>	<b>-</b>	<b>66,611,512</b>
<b>Carrying amount At 31 December 2015</b>	<b>5,317,018</b>	<b>57,337,170</b>	<b>2,535,085</b>	<b>154,352</b>	<b>248,489</b>	<b>65,592,114</b>
At 31 December 2014	5,403,544	49,796,085	4,983,188	244,497	227,627	60,654,941
<b>Annual depreciation rates</b>	5%	5-20%	15-25%	25%	-	-

## 5. Property, plant and equipment (Continued)

Buildings are erected on leased land from the Government of Kuwait, which are leased for a period of one year and renewable for similar periods.

The Group's property, plant and equipment with carrying amount of KD 31,678,329 (2014: KD 23,650,760) are mortgaged against term loans granted to the Group (see note 20).

The depreciation charge has been allocated as follows:

Cost of revenue  
General and administrative expenses

	2015	2014
	KD	KD
Cost of revenue	5,142,373	4,953,387
General and administrative expenses	341,824	598,644
	<b>5,484,197</b>	<b>5,552,031</b>

## 6. Investment in associates

Name of associate	Country of incorporation	Ownership interest		Carrying value	
		2015	2014	2015	2014
		%	%	KD	KD
Axis Solutions for Computer Systems K.S.C. (Closed)	Kuwait	<b>44</b>	44	<b>690,310</b>	665,736
KGL Port International Company K.S.C. (Closed)	Kuwait	<b>38.92</b>	47.7	<b>6,296,767</b>	5,642,364
Kuwait United Development Company K.S.C. (Closed)	Kuwait	<b>48</b>	48	<b>519,206</b>	626,595
National Cleaning Company K.P.S.C.	Kuwait	<b>34.16</b>	34.16	<b>13,244,480</b>	13,067,251
KGL Logistics Company K.P.S.C.	Kuwait	<b>47.24</b>	47.24	<b>35,056,397</b>	33,834,790
Amin International for Valuables Transportation and Facilities Security W.L.L.	Kuwait	<b>34</b>	34	<b>135,854</b>	108,268
				<b>55,943,014</b>	53,945,004

All of the above associates are accounted for following the equity method.  
Summary of principal activities of the associates:

Name of associate	Principal activities
Axis Solutions for Computer Systems K.S.C. (Closed)	IT related activities
KGL Port International Company K.S.C. (Closed)	Management of marine and river ports
Kuwait United Development Company K.S.C. (Closed)	Construction project management
National Cleaning Company K.P.S.C.	Environmental protection
KGL Logistics Company K.P.S.C.	Warehouses management
Amin International for Valuables Transportation and Facilities Security W.L.L.	Security system installation, maintenance and management

## 6. Investment in associates (Continued)

As at December 31, 2015, the fair value of Group's interest in KGL Logistics K.P.S.C., which is listed on the Kuwait Stock Exchange was KD 16,608,367 (2014: KD 29,780,521). The management believes that there are no indications for the existence of impairment in carrying value for the associate.

As at December 31, 2015, the fair value of Group's interest in National Cleaning Company K.P.S.C., which is listed on the Kuwait Stock Exchange was KD 3,412,466 (2014: KD 5,459,946). The management believes that there are no indications for the existence of impairment in carrying value for the associate.

The Group's investment in associates with carrying value of KD 45,793,517 (2014: KD 44,593,999) are mortgaged against term loans (see note 20).

The carrying value of associates includes goodwill of KD 4,002,726 (2014: KD 4,121,726).

The following table summarises the information relating to the Group's significant associates:

### a) KGL Ports International Company K.S.C. (Closed)

Associates' financial position:

Total assets  
Total liabilities  
Net assets  
Group's share of net assets of associate  
Goodwill  
Total investment balance of associate

Associate's revenues and results:

Revenues  
Net profit  
Group's share of results of associate

2015	2014
KD	KD
<b>34,721,979</b>	34,193,535
<b>21,904,899</b>	25,353,341
<b>12,817,080</b>	8,840,194
<b>4,988,407</b>	4,215,004
<b>1,308,360</b>	1,427,360
<b>6,296,767</b>	5,642,364

2015	2014
KD	KD
<b>6,333,718</b>	6,239,937
<b>169,833</b>	1,102,445
<b>66,099</b>	525,646

During the year, the above associate increased its share capital but the Group participated in a lesser share for the amount of KD 600,000, which diluted its share in the associate. The Group recognized impairment loss on the goodwill for the amount of KD 119,000 charged to consolidated statement of profit or loss.

### b) National Cleaning Company K.P.S.C.

Associates' financial position:

Total assets  
Total liabilities  
Net assets  
Group's share of net assets of associate

2015	2014
KD	KD
<b>94,747,354</b>	93,009,290
<b>55,975,457</b>	54,755,195
<b>38,771,897</b>	38,254,095
<b>13,244,480</b>	13,067,251



## 6. Investment in associates (Continued)

### b) National Cleaning Company K.P.S.C. "continued"

Associate's revenues and results:

	2015	2014
	KD	KD
Revenues	35,925,977	42,641,763
Net profit	464,996	458,706
Group's share of results of associate	158,843	156,694

### c) KGL Logistics Company K.P.S.C.

Associates' financial position:

	2015	2014
	KD	KD
Total assets	107,000,558	96,503,142
Total liabilities	23,097,143	15,185,667
Net assets	83,903,415	81,317,475
Group's share of net assets of associate	39,690,377	38,468,770
Goodwill	2,694,366	2,694,366
Elimination of intra-company transactions	(7,328,346)	(7,328,346)
Total investment balance of associate	35,056,397	33,834,790

Associate's revenues and results:

	2015	2014
	KD	KD
Revenues	36,396,333	25,418,222
Net profit	6,026,727	5,101,470
Group's share of results of associate	2,847,144	2,410,034

Other transactions:  
Dividend received from associate

	1,431,106	-
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The following table summarises the information relating to the other associates of the Group:

Associates' financial position:

	2015	2014
	KD	KD
Total assets	7,599,826	6,888,973
Total liabilities	4,549,690	3,752,099
Net assets	3,050,136	3,136,874
Total investment balance of associate	1,345,370	1,400,599

## 6. Investment in associates (Continued)

### c) KGL Logistics Company K.P.S.C. "continued"

Associate's revenues and results:

	2015	2014
	KD	KD
Revenues	5,093,565	5,795,571
Net (loss)/profit	(23,323)	274,193
Group's share of results of associates	(27,051)	114,647

## 7. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership Interest (%)		Principle activity
		2015	2014	
KGL Holding Company K.S.C. (Closed)	Kuwait	99.34	99.34	Investment activities
KGL Car Rental Company W.L.L.	Kuwait	99	99	Car rental
Majestic Travel and Tourism Company W.L.L.	Kuwait	99	99	Travel and Tourism
KGL Passenger Transport Services K.S.C. (Closed)	Kuwait	98.90	98.90	Passenger Transport
Ras Al Khaimah Shipping Company L.L.C	UAE	84.75	84.75	Cargo transport
Global United for Insurance Services Company K.S.C. (Closed)	Kuwait	90	90	Insurance services
KGL Technical Services Company W.L.L.	Kuwait	98	98	Garage and maintenance
KGL Transportation Company K.S.C.(Closed)	Kuwait	97	97	Transportation
KGL Food Services Company W.L.L.	Kuwait	99	99	Food supply
KGL Real Estate Company K.S.C. (Closed)	Kuwait	99.25	99.25	Real estate
International Motors Company K.S.C. (Closed)	Kuwait	80	80	Sale of spare parts and vehicle maintenance
Sudan River Transport Company	Sudan	51	51	Cargo transport
North Star Shipping Company K.S.C. (Closed)	Kuwait	99	99	Passenger and Cargo transport
Gulf Aviation for Aircraft Services K.S.C. (Closed)	Kuwait	99	99	Transportation
United Metal Cutting Company K.S.C.(Closed)	Kuwait	98.50	98.50	Sale of scraps
Virgola Event Management and Communication Company W.L.L	Kuwait	99	99	Advertising
First Shuwaikh Real Estate Company W.L.L.	Kuwait	99	99	Real estate rental

The Group does not have subsidiaries with material non-controlling interests as at December 31, 2015 and 2014.

## 8. Investment properties

### At fair value

Balance at beginning of year  
Improvement to investment properties  
Change in fair value

2015	2014
KD	KD
23,068,070	20,319,547
–	10,893
(540,230)	2,737,630
22,527,840	23,068,070

The fair value of the Group's investment properties have been determined on the basis of a valuation carried out by independent evaluators (two evaluators for each investment property in accordance with Capital Market Authority regulations).

The fair values were determined based on the market comparable approach that reflects recent transaction priced for similar properties. In estimating the fair values of the properties, the highest and best use of the properties is their current use. The management has valued all its investment properties on an individual basis at the lowest of the evaluations received from independent valuers at December 31, 2015 and 2014.

## 9. Available for sale financial assets

Available for sale financial assets represents unquoted securities amounting to KD 1,582,325 (2014: KD 1,757,243) that are carried at cost due to the lack of an active market or other reliable measures of their fair value. Management is not aware of any indication regarding impairment.

## 10. Inventories

Materials including spare parts  
Provision for old and obsolete inventories

2015	2014
KD	KD
2,174,692	2,058,941
(250,000)	(250,000)
1,924,692	1,808,941

Movement in the provision for slow moving inventories:

Balance at beginning of the year  
Charge for the year

2015	2014
KD	KD
250,000	–
–	250,000
250,000	250,000

## 11. Trade and other receivables

Trade receivables  
Allowance for doubtful debts

Prepayments  
Refundable deposits  
Advance to suppliers  
Staff receivables  
Other receivables

2015	2014
KD	KD
17,931,250	17,687,055
(8,467,075)	(8,481,192)
9,464,175	9,205,863
9,525,751	8,876,688
2,280,365	2,637,952
2,815,513	4,272,841
900,748	923,776
2,515,386	2,446,375
27,501,938	28,363,495

## 11. Trade and other receivables (Continued)

Movement in the provision for doubtful debts

Balance at beginning of the year  
Amounts written off during the year  
Charge for the year

2015	2014
KD	KD
8,481,192	8,529,619
(14,117)	(135,615)
–	87,188
8,467,075	8,481,192

The Group follows the due balances and doubtful debts through legal proceedings, there are several outstanding court cases to collect these amounts. The provision for doubtful debts has been calculated based on estimates made by the Group management.

Trade receivables comprise the following:

Neither past due nor impaired  
Past due but not impaired

Ageing of past due but not impaired:

90 – 120 days  
120 – 180 days  
180 – 365 days  
Above 365 days  
Total

2015	2014
KD	KD
7,673,367	7,546,905
1,790,808	1,658,958
9,464,175	9,205,863

2015	2014
KD	KD
125,334	188,462
308,972	149,805
179,373	599,269
1,177,129	721,422
1,790,808	1,658,958

## 12. Related party transactions

Related parties consist of major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners or over which they are able to exercise significant influence. All related party transactions approximate arms length terms and are approved by the Group's management. Balances due from/to related parties are interest free and without maturity dates.

Related party balances and transactions included in the consolidated financial statements are as follows:

### Consolidated statement of financial position

a) Due from related parties  
b) Due to related parties

2015	2014
KD	KD
7,079,641	7,309,374
11,574,394	11,108,794

### Consolidated statement of profit or loss

- Share of results of associates
- Rental income
- Rental expenses
- Key management compensation

2015	2014
KD	KD
3,045,035	3,207,021
1,327,500	1,327,500
680,150	1,380,150
260,640	246,000

### 13. Financial assets at fair value through profit or loss

**Designated:**

Unquoted foreign equity security

2015	2014
KD	KD
20,256,351	20,762,955
20,256,351	20,762,955

The above unquoted equity security represent an investment stake of 19% in Gulf Stevedoring Contracting Company W.L.L, Saudi Arabia ("GSCC") in which the Group has no significant influence. The fair value of the investment was determined by independent evaluator (note 28-g).

### 14. Cash and cash equivalents

Cash and bank balances  
Bank overdrafts (note 22)  
Cash and cash equivalents

2015	2014
KD	KD
1,872,578	1,303,819
(289,032)	(679,831)
1,583,546	623,988

### 15. Share capital

The authorized, issued and fully paid share capital is 26,427,300 divided into 264,273,000 shares of fils 100 (2014: KD 26,427,300 divided into 264,273,000 shares of fils 100). All shares are in cash.

### 16. Share premium

The share premium account is not available for distribution.

### 17. Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit for the year, before the deduction of KFAS, Zakat, NLST and board of directors' remuneration, is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

### 18. Voluntary reserve

As required by the Parent Company's articles of association, 10% of the profit for the year, before the deduction of KFAS, Zakat, NLST and board of directors' remuneration, is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by resolution of shareholders in the annual general assembly meeting upon recommendation by the board of directors. There are no restrictions on the distribution of this reserve.

### 19. Treasury shares

Number of shares  
Percentage of issued shares  
Cost (KD)  
Market value (KD)

2015	2014
KD	KD
125	125
-	-
153	153
5	7

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

### 20. Term loans

Current portion  
Non-current portion

2015	2014
KD	KD
103,095,278	101,345,222
9,755,695	4,084,091
112,850,973	105,429,313

The effective interest rate on term loans ranges from 1.5% to 2.5% (2014: 1.5% to 2.5%) per annum over Central Bank of Kuwait discount rate. These term loans are granted by local financial institutions and regional are secured by certain property, plant and equipment and investment in associates (see note 5 and 6). During the year, the Group settled part of Islamic bank facilities, which resulted in recognizing a gain on settlement of debt amount to KD 2,194,000 that is included under other income (note 23).

### 21. Trade and other payables

Trade payables  
Accrued expenses  
Provision for staff leave  
Dividends payable  
NLST payable  
Zakat Payable  
KFAS payable  
Due to employees  
Others

2015	2014
KD	KD
14,623,643	15,477,857
4,624,026	8,714,391
902,213	842,645
274,436	276,064
449,844	449,844
82,354	73,722
51,602	22,467
869,724	617,736
1,595,168	1,404,921
23,473,010	27,879,647

### 22. Bank overdrafts

Bank overdrafts represent facilities obtained from a local commercial bank repayable on demand. The interest rate ranges from 1.5% to 2.5% (2014: 1.5% to 2.5%) per annum over Central Bank of Kuwait discount rate.

### 23. Other income

Other income includes different incidental items and mainly consist of a gain on settlement of debt for the amount of KD 2,194,000 (2014: KD Nil) and reversal of excess accruals amount to KD 2,571,710 (2014: KD 878,591).

## 24. General and administrative expenses

Staff costs
Depreciation
Rent
Vehicle and equipment maintenance
Professional and consultancy fees
Marketing, selling and distribution expenses
Others

	2015	2014
	KD	KD
Staff costs	2,484,354	2,295,345
Depreciation	341,824	598,644
Rent	1,722,609	3,271,068
Vehicle and equipment maintenance	62,043	184,338
Professional and consultancy fees	1,633,265	479,058
Marketing, selling and distribution expenses	140,544	317,579
Others	1,675,692	1,022,254
<b>Total</b>	<b>8,060,331</b>	<b>8,168,286</b>

## 25. Deductions

### a) National Labour Support Tax ("NLST")

Parent Company

	2015	2014
	KD	KD
Parent Company	-	31,585
<b>Total</b>	<b>-</b>	<b>31,585</b>

### b) Zakat

Parent Company  
Subsidiaries

	2015	2014
	KD	KD
Parent Company	-	15,134
Subsidiaries	21,839	45,507
<b>Total</b>	<b>21,839</b>	<b>60,641</b>

### c) Kuwait Foundation for Advancement of Sciences

Subsidiaries

	2015	2014
	KD	KD
Subsidiaries	30,200	12,792
<b>Total</b>	<b>30,200</b>	<b>12,792</b>

### d) Board of directors remuneration

Subsidiaries

	2015	2014
	KD	KD
Subsidiaries	29,000	21,000
<b>Total</b>	<b>29,000</b>	<b>21,000</b>

## 26. Earnings per share attributable to owners of the Parent Company

Earnings per share is calculated as follows:

Profit for the year attributable to owners of the Parent Company (KD)

Number of shares outstanding:

Weighted average number of paid up shares excluding treasury shares

	2015	2014
	KD	KD
Profit for the year attributable to owners of the Parent Company (KD)	2,134,655	972,559
Number of shares outstanding:	264,272,875	264,272,875
<b>Earnings per share</b>	<b>8.08</b>	<b>3.68</b>

**Earnings per share attributable to owners of the Parent Company (Basic and diluted) (fils)**

## 27. Segment reporting

The Group identifies its operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess its performance.

Financial information about the operating segments as follows:

<b>31 December 2015:</b>	<b>Transportation</b>	<b>Lease</b>	<b>Others</b>	<b>Total</b>
	KD	KD	KD	KD
Segment revenue	25,609,966	7,164,697	1,455,936	34,230,599
Segment costs	(21,613,907)	(5,043,437)	(447,961)	(27,105,305)
<b>Segment results</b>	<b>3,996,059</b>	<b>2,121,260</b>	<b>1,007,975</b>	<b>7,125,294</b>
Unallocated income	635,744	(66,492)	5,551,009	6,120,261
Unallocated expenses	(1,721,323)	(880,459)	(8,509,118)	(11,110,900)
<b>Profit for the year</b>	<b>2,910,480</b>	<b>1,174,309</b>	<b>(1,950,134)</b>	<b>2,134,655</b>
<b>Segment assets and liabilities</b>				
Segment assets	51,977,577	43,327,600	109,783,938	205,089,115
Segment liabilities	41,717,924	30,995,797	78,166,836	150,880,557
<b>Other information</b>				
Purchases of property, plant and equipment	101,875	16,174,697	440,464	16,717,036
Depreciation of property, plant and equipment	2,717,673	2,524,023	242,501	5,484,197
Loss on disposal of property, plant and equipment	58,540	(148,678)	(1,059,414)	(1,149,552)
<b>31 December 2014:</b>	<b>Transportation</b>	<b>Lease</b>	<b>Others</b>	<b>Total</b>
	KD	KD	KD	KD
Segment revenue	22,602,039	6,264,017	973,711	29,839,767
Segment costs	(20,480,542)	(4,974,163)	726,885	(24,727,820)
<b>Segment results</b>	<b>2,121,497</b>	<b>1,289,854</b>	<b>1,700,596</b>	<b>5,111,947</b>
Unallocated income	1,638,198	318,244	7,532,243	9,488,685
Unallocated expenses	(2,705,708)	(1,201,874)	(9,720,491)	(13,628,073)
<b>Profit for the year</b>	<b>1,053,987</b>	<b>406,224</b>	<b>(487,652)</b>	<b>972,559</b>
<b>Segment assets and liabilities</b>				
Segment assets	52,520,287	34,239,252	113,022,925	199,782,464
Segment liabilities	51,770,035	23,041,607	72,617,596	147,429,238



## 27. Segment reporting (Continued)

	Transportation	Lease	Others	Total
<b>Other information</b>				
Purchases of property, plant and equipment	981,223	3,501,783	266,117	4,749,123
Depreciation of property, plant and equipment	3,012,266	2,233,800	305,965	5,552,031
Loss on disposal of property, plant and equipment	(394,133)	(6,679)	166,586	(234,226)

## 28. Financial risk and capital management

### (a) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk are monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of activities. The maximum credit risk exposure is not materially different from the carrying values in the consolidated financial statements.

### (c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Financial instruments, which potentially subject the Group to interest rate risk, consist primarily of time deposits at bank (if any), bank overdrafts and term loans.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit before KFAS, NLST, Zakat and Directors' remuneration for one year, based on the floating rate financial liabilities held at December 31, 2015.

	Increase / (decrease) in basis points	Effect on profit for the year
		KD
<b>December 31, 2015</b>		
<b>KD 111,267,427</b>		
<b>KD 111,267,427</b>	<b>+0.25%</b>	<b>278,169</b>
	<b>-0.25%</b>	<b>(278,169)</b>
<b>December 31, 2014</b>		
<b>KD 104,805,325</b>	<b>+ 0.25%</b>	<b>262,013</b>
<b>KD 104,805,325</b>	<b>- 0.25%</b>	<b>(262,013)</b>

## 28. Financial risk and capital management (Continued)

### (d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within established limits.

The effect on profit/(loss) and equity (due to change in fair value of assets and liabilities) as a result of change in currency rate estimated by management at (±) 5% (2014: (±) 5%), with all other variables held constant is shown below:

	Effect on equity		(Effect on profit/(loss) before deduction)	
	2015	2014	2015	2014
	KD	KD	KD	KD
United States of America Dollars	-	-	(±) 70,930	(±) 78,898
United Arab Emirates Dirhams	(±) 98,371	(±) 111,470	-	-
Qatar Riyals	(±) 803	(±) 1,184	-	-
Saudi Riyals	-	-	(±) 1,012,818	(±) 1,038,148
Sudan Pounds	(±) 99,169	(±) 117,912	-	-

### (e) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to market risk, consist principally of investments at fair value through profit or loss and available for sale investments. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The estimated change in equity prices is determined at (±) 5% (2014: (±) 5%).

	Effect on other comprehensive income/(expense)		Effect on profit or loss before deduction	
	2015	2014	2015	2014
	KD	KD	KD	KD
Investments at fair value through profit or loss	-	-	(±) 1,012,817	(±) 1,153,404
Available for sale investments	(±) 79,116	(±) 87,862	-	-



## 28. Financial risk and capital management (Continued)

### (f) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

At 31 December 2015	Less than year 1	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	KD	KD	KD	KD
Term loans	9,755,695	45,550,503	25,875,888	31,668,887
Trade and other payables	23,473,010	-	-	-
Bank overdrafts	289,032	-	-	-
At 31 December 2014	Less than year 1	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	KD	KD	KD	KD
Term loans	4,084,091	39,943,507	31,030,337	30,371,378
Trade and other payables	27,879,647	-	-	-
Bank overdrafts	679,831	-	-	-

### (g) Fair value of financial instruments

#### a. Valuation techniques and assumptions applied for the purposes of measuring fair values

The fair values of financial assets are determined as follows.

- The fair values of financial assets (quoted equity securities) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets (unquoted equity securities and unquoted funds) are determined in accordance with generally accepted pricing models.

## 28. Financial risk and capital management (Continued)

### (g) Fair value of financial instruments "continued"

#### b. Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

31 December 2015	Level 3	Total
	KD	KD
<b>Financial assets at fair value through profit or loss</b>		
Unquoted equity securities	20,256,351	20,256,351
Total	20,256,351	20,256,351
31 December 2014	Level 3	Total
	KD	KD
<b>Financial assets at fair value through profit or loss</b>		
Unquoted equity securities	20,762,955	20,762,955
Total	20,762,955	20,762,955

#### Reconciliation of Level 3 fair value measurements:

31 December 2015	Investments at fair value through profit or loss
	KD
Beginning balance	20,762,955
Loss recognised in statement of profit or loss	(506,604)
Ending balance	20,256,351
31 December 2014	Investments at fair value through profit or loss
	KD
Beginning balance	20,863,234
Loss recognised in statement of profit or loss	(100,279)
Ending balance	20,762,955

## 28. Financial risk and capital management (Continued)

### (g) Fair value of financial instruments “continued”

Valuation techniques and key inputs:

For level 3, the method of determining the fair value is based on discounting projected future cash flows under the following assumptions:

- Long term growth rate is based on management estimates at a rate of 2.5% which is added to historic data for anticipated market conditions.
- Discount rate is estimated at 9% representing the return on capital employed for each business unit.
- Estimated cash flow represents the estimated cash flow to be derived based on management’s assumptions, market conditions and competition.

## 29. Annual general assembly

The Annual General Assembly of the Parent Company was held on June 16, 2015 and the following has been approved by the shareholders:

- The consolidated financial statements for the year ended December 31, 2014.
- Not to distribute any dividends or board of directors remuneration for the year ended December 31, 2014.

## 30. Contingent liabilities

Letters of guarantee

2015	2014
KD	KD
8,219,372	7,732,661

## 31. Comparatives

Certain comparative figures have been reclassified to conform with current year presentation, but with no effect on previously reported profit or equity.