Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2015

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State of Kuwait

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SHUAIBA INDUSTRIAL COMPANY K.P.S.C.
STATE OF KUWAIT

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Shuaiba Industrial Company K.P.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial 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 ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SHUAIBA INDUSTRIAL COMPANY K.P.S.C. (Continued)
STATE OF KUWAIT

Report on the consolidated financial statements (continued)

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

Report on other legal and regulatory requirements
In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, its Executive Regulation, and by the Parent Company's Memorandum and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, its Executive Regulation, nor of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the financial year ended 31 December 2015, that might have had a material effect on the business of the Group or its consolidated financial position.

Qais M. Al-Nisf	**Barrak Al-Ateeqi**
License No. 38 "A"	**License No. 69 "A"**
BDO Al Nisf & Partners	**Al-Ateeqi Certified Accountants**
	Member firm of B.K.R. International

Kuwait: 14 February 2016

Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait

Consolidated statement of financial position
As at 31 December 2015

	Notes	2015 KD	2014 KD
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,640,567	8,541,058
Investment in an associate	8	2,567,131	2,590,021
Available for sale financial assets		-	36,843
		11,207,698	11,167,922
Current assets			
Inventories	9	4,694,207	3,694,810
Trade receivables	10	2,463,022	2,249,904
Other receivables	11	776,733	241,089
Financial assets at fair value through profit or loss	12	176,072	253,406
Term deposit		100,000	-
Cash and cash equivalents	13	2,570,291	2,854,587
		10,780,325	9,293,796
Total assets		21,988,023	20,461,718
EQUITY AND LIABILITIES			
Equity			
Share capital	14	6,444,275	6,444,275
Share premium		2,294,444	2,294,444
Statutory reserve	15	1,985,638	1,803,237
Voluntary reserve	15	1,894,630	1,712,229
Treasury shares	16	(164,740)	(253,265)
Treasury shares reserve		471,283	404,979
Foreign currency translation reserve		492,544	263,838
Retained earnings		4,744,837	4,659,964
Total equity		18,162,911	17,329,701
Liabilities			
Non-current liabilities			
Employees' end of service benefits		589,997	482,090
Non-current portion of bank borrowings	17	272,000	456,000
		861,997	938,090
Current liabilities			
Due to a related party	22	24,927	-
Current portion of bank borrowings	17	184,000	241,941
Trade and other payables	18	2,754,188	1,951,986
		2,963,115	2,193,927
Total liabilities		3,825,112	3,132,017
Total equity and liabilities		21,988,023	20,461,718

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Saleh Omran Abdullah Kannan
Chairman

Bader Mohammad Ghloum AlQattan
Vice chairman

Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait

Consolidated statement of profit or loss
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Sales		15,341,191	13,579,388
Cost of sales		(11,783,461)	(10,715,285)
Gross profit		3,557,730	2,864,103
Other income		57,335	78,892
Foreign exchange gain		24,793	68,871
Share of results of an associate	8	35,851	127,774
Unrealised loss on financial assets at fair value through profit or loss		(77,334)	(94,334)
Impairment loss on available for sale financial assets		(36,843)	-
General and administrative expenses	19	(830,204)	(733,157)
Selling and distribution expenses	20	(861,362)	(760,414)
Provisions for old and obsolete inventories		(24,919)	-
Write back of provision for doubtful debts	10	13,119	-
Finance costs		(34,157)	(49,810)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		1,824,009	1,501,925
KFAS		(16,416)	(13,517)
NLST		(48,286)	(39,392)
Zakat		(19,387)	(15,757)
Directors' remuneration		(30,000)	(25,000)
Profit for the year		1,709,920	1,408,259
Basic and diluted earnings per share (fils)	21	27.01	22.35

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait

Consolidated statement of comprehensive income
For the year ended 31 December 2015

	2015	2014
	KD	KD
Profit for the year	1,709,920	1,408,259
Other comprehensive income items:		
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Available for sale financial assets		
- Change in fair value	36,843	-
- Transferred to consolidated statement of profit or loss on impairment	(36,843)	-
Foreign currency translation adjustment	228,706	243,170
Other comprehensive income for the year	228,706	243,170
Total comprehensive income for the year	1,938,626	1,651,429

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
At 1 January 2014	6,137,405	2,294,444	1,653,044	1,562,036	(253,265)	404,979	20,668	4,579,106	16,398,417
Profit for the year	-	-	-	-	-	-	-	1,408,259	1,408,259
Other comprehensive income for the year	-	-	-	-	-	-	243,170	-	243,170
Total comprehensive income for the year	-	-	-	-	-	-	243,170	1,408,259	1,651,429
Issue of bonus shares (Note 27)	306,870	-	-	-	-	-	-	(306,870)	-
Dividends (Note 27)	-	-	-	-	-	-	-	(720,145)	(720,145)
Transfer to reserves	-	-	150,193	150,193	-	-	-	(300,386)	-
At 31 December 2014	6,444,275	2,294,444	1,803,237	1,712,229	(253,265)	404,979	263,838	4,659,964	17,329,701
At 1 January 2015	6,444,275	2,294,444	1,803,237	1,712,229	(253,265)	404,979	263,838	4,659,964	17,329,701
Profit for the year	-	-	-	-	-	-	-	1,709,920	1,709,920
Other comprehensive income for the year	-	-	-	-	-	-	228,706	-	228,706
Total comprehensive income for the year	-	-	-	-	-	-	228,706	1,709,920	1,938,626
Sale of treasury shares	-	-	-	-	88,525	66,304	-	-	154,829
Dividends (Note 27)	-	-	-	-	-	-	-	(1,260,245)	(1,260,245)
Transfer to reserves	-	-	182,401	182,401	-	-	-	(364,802)	-
At 31 December 2015	6,444,275	2,294,444	1,985,638	1,894,630	(164,740)	471,283	492,544	4,744,837	18,162,911

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait

Consolidated statement of cash flows
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit for the year		1,709,920	1,408,259
Adjustments for:			
Foreign exchange gain		(24,793)	(68,871)
Share of results of an associate	8	(35,851)	(127,774)
Unrealised loss on financial assets at fair value through profit or loss		77,334	94,334
Impairment loss on available for sale financial assets		36,843	-
Depreciation	7	454,016	453,332
Provisions for old and obsolete inventories	9	24,919	-
Write back of provision for doubtful debts	10	(13,119)	-
Gain on sale of property, plant and equipment		(109)	-
Provision for employees' end of service benefits		123,046	91,088
Finance costs		34,157	49,810
		2,386,363	1,900,178
Changes in working capital:			
Inventories		(1,024,316)	(435,849)
Trade receivables		(175,206)	437,927
Other receivables		(535,644)	(110,564)
Due to a related party		24,927	-
Trade and other payables		706,471	(105,934)
Cash flows generated from operations		1,382,595	1,685,758
Employees' end of service benefits paid		(15,139)	(17,334)
Net cash flows generated from operating activities		1,367,456	1,668,424
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(435,792)	(42,009)
Placement of term deposit		(100,000)	-
Proceeds from sale of property, plant and equipment		110	-
Dividend received from an associate	8	128,160	180,366
Net cash flows (used in)/generated from investing activities		(407,522)	138,357
FINANCING ACTIVITIES			
Net movement in bank borrowings		(241,941)	20,000
Proceeds from sale of treasury shares		154,829	-
Dividends paid		(1,164,514)	(720,145)
Finance costs paid		(34,157)	(49,810)
Net cash flows used in financing activities		(1,285,783)	(749,955)
Effect of foreign currency translation		41,553	31,011
Net (decrease)/increase in cash and cash equivalents		(284,296)	1,087,837
Cash and cash equivalents at beginning of the year		2,854,587	1,766,750
Cash and cash equivalents at end of the year	13	2,570,291	2,854,587

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Shuaiba Industrial Company K.P.S.C. ("the Parent Company"), is a public shareholding company incorporated in 1978 under the Laws of the State of Kuwait and is listed on the Kuwait Stock Exchange.

The Group comprises of the Parent Company and its subsidiary as described in Note 5.1 (together referred to as the "Group").

The Parent Company's objectives are as follows:

1. Manufacture of paper cement bags for packing of cement and similar products.
2. Import and export material required for the Company's objectives.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Parent Company may also purchase such entities or affiliate them.

At the Annual General Assembly held on 29 March 2010, the shareholders approved the Group to conduct its activities in accordance with Islamic Sharia Principles.

The address of the Parent Company's registered office is P.O. Box, 10088, Shuaiba 65451, State of Kuwait.

The Parent Company had 344 employees as at 31 December 2015 (2014: 310).

These consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue by the Parent Company's Board of Directors on 14 February 2016. The shareholders General Assembly has the power to amend these consolidated financial statements after issuance.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention except for certain investments at fair value through profit or loss that are measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS interpretations Committee applicable to Companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies Law.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas of significant judgements and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 6.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2015

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. But if those contributions depend on the number of years of service, those contributions must be allocated to the periods of service using the same attribution method as used for the gross benefit.

These amendments became effective on 1 July 2014. These amendments had no impact on the Group.

Annual improvements to IFRS 2010 – 2012 Cycle:

Amendments to IFRS 2 Share–based Payment
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify the definition of 'vesting conditions' by separately defining a 'performance condition' and a 'service condition'. Those clarifications include the following:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

Amendments to IFRS 3 Business Combinations
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

Amendments to IFRS 8 Operating Segments
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

a) New standards, interpretations and amendments effective from 1 January 2015 (continued)

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendments to these standards which are effective for annual periods beginning on or after 1 July 2014 clarify that the determination of the accumulated depreciation or amortisation under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortisation is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortisation method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortisation is not proportionate to the change in the gross carrying amount of the asset.

Amendments to IAS 24 Related Party Disclosures
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to IFRS 2011 – 2013 Cycle:

Amendments to IFRS 3 Business Combinations
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception only applies to the financial statements of the joint venture or the joint operation itself.

Amendments to IFRS 13 Fair Value Measurement
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarify that the portfolio exception in IFRS 13 applies to all contracts within the scope of IFRS 9 (or IAS 39, as applicable), regardless of whether they meet the definitions of financial assets or financial liabilities.

Amendments to IAS 40 Investment Property
The amendments to this standard which are effective for annual periods beginning on or after 1 July 2014 clarifies that IFRS 3, and not the description of ancillary services in IAS 40 (which differentiates between investment property and owner-occupied property (i.e., property, plant and equipment)), is used to determine if the transaction is the purchase of an asset or a business combination.

These improvements are effective from 1 July 2014 and did not have a material impact on the Group.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

b) Standards and interpretations issued but not effective (continued)

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments
The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The directors of the Company anticipate that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations
The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business requiring the acquirer to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact to the Group.

IFRS 14 – Regulatory Deferral Accounts
This standard, effective for an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous accounting standards, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. Since the Company is an existing IFRS preparer, this standard would not apply.

IFRS 15 - Revenue from contracts with customers
The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

b) Standards and interpretations issued but not effective (continued)

Amendments to IAS 1 – Disclosure Initiative
The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgements used in the presentation of financial reports. The amendments make changes about:

- *Materiality*, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income*, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes*, where they add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

These amendments are not expected to have any material impact to the Group.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
The amendments, effective prospectively for annual periods beginning on or after 1 January 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any material impact to the Group.

Amendments to IAS 16 & IAS 41 – Agriculture: Bearer Plants
The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 require that bearer plants (a subset of biological assets used solely to grow produce over several periods) should be accounted for in the same way as property, plant and equipment in IAS 16 because their operation is similar to that of manufacturing, unlike all other biological assets related to agricultural activity which are measured at fair value less costs to sell. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41, and the produce growing on bearer plants will remain within the scope of IAS 41. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

b) Standards and interpretations issued but not effective (continued)

Amendments to IAS 27 – Equity method in separate financial statements
The amendment, effective for annual periods beginning on or after 1 January 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments are not expected to have any material impact to the Group.

Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. These amendments are not expected to have any material impact to the Group.

Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception
The amendments to these standards which are effective for annual periods beginning on or after 1 January 2016 confirm that the exemption from preparing consolidated financial statements under IFRS 10 continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. However, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated. The amendments clarify that this exception only applies to subsidiaries that are not themselves investment entities and whose main purpose are to provide services and activities that are related to the investment activities of the investment entity parent. All other subsidiaries of an investment entity should be measured at fair value.

Consequential amendments have been made to IAS 28 to confirm that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity, even if the investment entity parent measures all its subsidiaries at fair value. IAS 28 has been also amended to permit an entity to retain the fair value measurement applied by an associate or joint venture that is an investment entity to its interests in subsidiaries rather than applying uniform accounting policies.

Amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities. These amendments are not expected to have any material impact to the Group.

Annual Improvements to IFRS – 2012 – 2014 Cycle:
These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

Amendments to IFRS 5 – Non Current Assets Held for Sale & Discounted Operations
When an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

b) New standards, interpretations and amendments not yet effective (continued)

Annual Improvements to IFRS – 2012 – 2014 Cycle: (continued)

Amendments to IFRS 7 – Financial Instruments: Disclosures
Specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. Additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

Amendments to IAS 19 – Employee Benefits
When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

Amendment to IAS 34 – Interim Financial Reporting
What is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company and its subsidiary. Control is achieved when the Parent Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:
- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Basis of consolidation (continued)

Subsidiaries (continued)
Profit and loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Changes in the Parent Company's ownership interests in subsidiaries that do not result in the Parent Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Parent Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Parent Company loses control of a subsidiary, a gain or loss is recognised in profit and loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Parent Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The details of the wholly owned subsidiary is as follows:

Name of subsidiary	Principal activity	Voting rights and equity interest	Country of incorporation
Advance Technologies International Agencies Company W.L.L.	Commercial agencies	99%	State of Kuwait

5.2 Business combinations

Acquisitions of businesses combination 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 the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.2 Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

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 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 recognised immediately in profit and loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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 (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit and 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 and loss where such treatment would be appropriate if that interest were disposed off.

5.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised.

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.4 Investment in an associate

An associate is an entity over which the Group has significant influence 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf 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, which is included within the carrying amount of the 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 consolidated statement of profit or loss.
The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The associate's financial statements are prepared either to the Parent Company's financial position date or to a date not earlier than three months of the Parent Company's financial position date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the financial position date of the associates and the Parent Company's financial position date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.5 Impairment of non-financial assets

At each consolidated financial position date, the Group reviews the carrying amounts of its non-financial 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, group 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.

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.

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.

5.6 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" ("FVTPL"), "Held-to-maturity investments", "available for sale financial assets" ("AFS"). 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's financial assets include available for sale financial assets, trade and other receivables, financial assets at fair value through profit or loss, term deposit, cash and cash equivalents.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.6 Financial assets (continued)

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

Financial assets at fair value through profit or loss
An investment 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 or 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 or 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
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective yeild method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade receivables and most other receivables fall into this category of financial instruments.

Cash and cash equivalents
Bank accounts, time deposits with maturities do not exceed a period of three months from placement date, cash balance with portfolio manager and cash on hand, are classified as cash and cash equivalents.

Effective yield method
The effective yield method is a method of calculating the amortised cost of a financial asset and of allocating yield income over the relevant period. The effective yield rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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

Investments in financial assets available for sale are initially measured at cost which is the fair value of consideration given. Subsequent to initial recognition, financial assets available for sale are measured at fair value. For investments traded in organised financial markets, fair value is determined by reference to the last quoted bid price at the close of business on the financial position date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost less any impairment loss.

Gains or losses arising from changes in fair value of financial assets available for sale are recognised in other comprehensive income and accumulated in the fair value reserve until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in the fair value reserve is reclassified to profit or loss for the period in which they arise.

Dividends on available for sale equity instruments are recognised in the profit or loss when the Group's right to receive the dividends is established.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.6 Financial assets (continued)

Subsequent measurement (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at end of each reporting period. 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 financial asset have been impacted.

For financial assets classified as financial assets available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When a financial asset available for sale is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of financial asset available for sale, 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 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 financial asset available for sale, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5.7 Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include bank borrowings, due to a related party, trade and other payables.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial liabilities (continued)

Initial recognition and measurement *(continued)*

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Bank borrowings
Bank borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, bank borrowings 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 loans on an effective yield basis.

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 yield 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 in consolidated statement of profit or loss.

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

5.8 Inventories

Finished goods are stated at the lower of cost and net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realisable value is based on the selling price less the estimated cost till completion and sale of inventory.

Spare parts are not intended for resale and are valued at cost after making provision for any old and obsolete items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of purchased cost or net realisable value using the weighted average method after making provision for old and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.9 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the financial position date.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.10 Provisions

A provision is recognised 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.

5.11 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued, sold or cancelled. No gain or loss is recognised 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 recognised 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 realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves.

Gains realised 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.

5.12 Dividends

The dividends attributable to shareholders of the Parent Company are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders

5.13 Contingent assets and contingent liabilities

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

- Revenues from sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred to the buyer on delivery.
- Yield income from deposits is recognised on a time proportion basis using the effective yield method.
- Gain or loss from sale of investment securities is recognised when the transaction is consummated.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

5.15 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.

5.16 Foreign currencies

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances
Foreign currency transactions are translated to Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies are re-translated at the dates of the consolidated statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except for companies which are operated in countries with very high inflation rates) are translated into the presentation currency as follows:
- Assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date.
- Income and expenses for each statement of profit or loss are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.17 Taxation

KFAS and Zakat
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat represent levies/taxes imposed on the Parent Company at the flat percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Tax/statutory levy	*Rate*
Contribution to KFAS	1.0% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

5.18 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.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgements
In the process of applying the Group's accounting policies, management has made the following significant judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of financial instruments
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.

Classification of financial assets at fair value through profit or loss depends on how management monitors the performance of these financial assets. The Group classifies financial assets at held for trading if they are acquired primarily for the purpose of short term profit making. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of income in the management accounts, they are classified as designated at fair value through income.

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

Significant management judgements (continued)

Impairment of financial assets available for sale
The Group treats financial assets available for sale 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 lives of tangible assets
As described in Note 7, the Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurement and valuation techniques
Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability, the management uses market observable data to the extent it is available. In case no market observable data are available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in (Note 25).

Impairment of non-financial assets
The Group reviews tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

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

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

Estimation uncertainty (continued)

Impairment of receivables
An estimate of the collectible amount of receivables are 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.

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Machinery	Furniture and fixtures	Motor vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
At 1 January 2014	555,000	3,602,451	6,865,273	727,570	221,143	196,020	12,167,457
Additions	-	-	-	-	-	42,009	42,009
Transfers from capital work in progress	-	-	201,327	30,702	6,000	(238,029)	-
Foreign currency translation difference	-	57,420	65,352	4,069	1,278	-	128,119
At 31 December 2014	555,000	3,659,871	7,131,952	762,341	228,421	-	12,337,585
Additions	-	67,518	331,903	31,521	4,500	350	435,792
Disposals	-	-	-	-	(1,850)	-	(1,850)
Foreign currency translation difference	-	57,880	68,078	4,185	1,279	-	131,422
At 31 December 2015	555,000	3,785,269	7,531,933	798,047	232,350	350	12,902,949
Accumulated depreciation							
At 1 January 2014	-	852,301	1,765,337	551,948	166,183	-	3,335,769
Charge for the year	-	141,384	237,251	56,193	18,504	-	453,332
Foreign currency translation difference	-	2,868	3,268	906	384	-	7,426
At 31 December 2014	-	996,553	2,005,856	609,047	185,071	-	3,796,527
Charge for the year	-	140,754	238,822	56,984	17,456	-	454,016
Relating to disposals	-	-	-	-	(1,849)	-	(1,849)
Foreign currency translation difference	-	5,181	5,925	1,891	691	-	13,688
At 31 December 2015	-	1,142,488	2,250,603	667,922	201,369	-	4,262,382
Net book value							
At 31 December 2015	555,000	2,642,781	5,281,330	130,125	30,981	350	8,640,567
At 31 December 2014	555,000	2,663,318	5,126,096	153,294	43,350	-	8,541,058
Annual depreciation rates	-	3.33%-20%	3.33%	20%	20%	-	

Certain property, plant and equipment have been assigned as security against bank borrowings (Note 17).

Buildings are constructed on leasehold lands from the government of Kuwait and the government of Dubai for a period of 5 year renewable for similar periods.

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charges are included in the consolidated statement of profit or loss under the following categories;

	2015	2014
	KD	KD
Cost of sales	428,490	425,706
General and administrative expenses (Note 19)	24,558	26,658
Selling and distribution expenses	968	968
	454,016	453,332

8. INVESTMENT IN AN ASSOCIATE

The details of the Group's associate are as follows:

Name of associate	Country of incorporation	Voting rights and equity interest (%) 2015	2014	Measurement method	Activity	Carrying value 2015	2014
		%	%			KD	KD
Yanbu Saudi Kuwaiti Paper Product Company L.t.d.	Kingdom of Saudi Arabia	40	40	Equity method	Paper products	2,567,131	2,590,021

Summarised financial information in respect of the Group's associate is set out below:

	2015	2014
	KD	KD
Current assets	4,059,047	3,851,693
Non-current assets	3,273,782	3,929,292
Total assets	7,332,829	7,780,985
Current liabilities	(131,332)	(111,026)
Non-current liabilities	(783,669)	(1,194,906)
Total liabilities	(915,001)	(1,305,932)
Net assets	6,417,828	6,475,053
Group's share of associate's net assets	2,567,131	2,590,021
Revenues	4,976,458	6,747,556
Expenses	(4,886,830)	(6,428,120)
Net profit	89,628	319,436
Other comprehensive income	-	-
Group's share of results of an associate	35,851	127,774
Dividend received	128,160	180,366

9. INVENTORIES

	2015	2014
	KD	KD
Raw materials	3,543,756	2,781,788
Finished goods	289,850	224,929
Packing materials	24,188	18,153
Goods in transit	760,880	579,144
Spare parts	194,107	188,946
	4,812,781	3,792,960
Provision for old and obsolete inventories	(118,574)	(98,150)
	4,694,207	3,694,810

9. INVENTORIES (Continued)

As at 31 December, the movement in the provision for old and obsolete inventories is as follows:

	2015	2014
	KD	KD
At 1 January	98,150	98,150
Charge for the year	24,919	-
Write off during the year	(4,495)	-
At 31 December	118,574	98,150

10. TRADE RECEIVABLES

	2015	2014
	KD	KD
Trade receivables	2,523,801	2,323,802
Less: provision for doubtful debts	(60,779)	(73,898)
	2,463,022	2,249,904

As at 31 December, the movement in the provision for doubtful debts is as follows:

	2015	2014
	KD	KD
At 1 January	73,898	73,898
Write back during the year	(13,119)	-
At 31 December	60,779	73,898

Trade receivables are non-interest bearing generally due within 90 days. Unimpaired receivable are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables. The ageing analysis of the gross trade receivables at the reporting date is as follows:

	Neither past due nor impaired	*Past due not impaired*		*Past due and impaired*	*Total*
		91-180 days	*180-365 days*		
	KD	KD	KD	KD	KD
2015	2,447,291	13,509	2,223	60,779	2,523,801
2014	2,210,955	31,956	6,993	73,898	2,323,802

In determining the recoverability of a trade receivable, the management considers any change in the credit quality of trade receivables from the date credit was initially granted up to the financial position date. The concentration of credit risk is limited due to that, the large number of customers. Accordingly, the management believes that there is no further provision required.

11. OTHER RECEIVABLES

	2015	2014
	KD	KD
Advance to suppliers	618,901	102,344
Prepayments	90,386	88,342
Refundable deposits	52,069	36,890
Staff receivables	12,326	10,010
Others	3,051	3,503
	776,733	241,089

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	KD	KD
Local quoted security	176,072	188,906
Investment in portfolio-fund	-	64,500
	176,072	253,406

Financial assets at fair value through profit or loss are managed by a portfolio manager, under a portfolio management agreement.

Management has reassessed the fair value of the investment in portfolio-fund and has recorded an unrealised loss of KD 64,500 (2014: KD 33,500) in the consolidated statement of profit or loss.

Valuation techniques of financial assets at fair value through profit or loss are disclosed in (Note 25).

13. CASH AND CASH EQUIVALENTS

	2015	2014
	KD	KD
Short term deposits	200,000	500,000
Bank balances	2,364,942	2,350,212
Cash on hand and with portfolio manager	5,349	4,375
	2,570,291	2,854,587

Short term deposits are placed with local banks and denominated in Kuwaiti Dinars yield an average rate of 0.62% (2014: 0.62%) per annum and mature within three months from the date of placement.

14. SHARE CAPITAL

As at 31 December 2015, the authorised, issued and fully paid up share capital of the Parent Company is KD 6,444,275 (2014: KD 6,444,275) comprising of 64,442,750 (2014: 64,442,750) shares of 100 fils each and all shares are paid in cash.

15. RESERVES

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contributions to KFAS, Zakat and Directors' remuneration has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. Distribution of the 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.

15. RESERVES (Continued)

Voluntary reserve

In accordance with the Parent Company's Articles of Association 10% of the profit for the year before contributions to KFAS, Zakat and Directors' remuneration has been transferred to voluntary reserve. There are no restrictions on the distribution of the voluntary reserve.

16. TREASURY SHARES

	2015	2014
Number of shares	930,462	1,430,462
Percentage to issued shares (%)	1.44%	2.22%
Market value (KD)	362,880	357,616
Cost (KD)	164,740	253,265

The Parent Company is committed to retain reserves, share premium and retained earnings equivalent to the cost of treasury shares throughout the period, in which they are held by the Parent Company, pursuant to instructions of the relevant regulatory authorities.

17. BANK BORROWINGS

	2015	2014
	KD	KD
Non-current portion	272,000	456,000
Current portion	184,000	241,941
	456,000	697,941

Bank borrowings represents credit refinance facilities (the "facilities") obtained from a local banks. The facilities are used to finance purchases of equipment and machinery to expand the Parent Company's plant. The facilities carry a profit rate of 3.5% semi annually (2014: 3.5%) and repayable as shown below.

Facility amount	Payable Amount	Current portion	Non-current portion	Maturity date
KD	KD	KD	KD	
300,000	-	-	-	December 2015
220,000	176,000	44,000	132,000	December 2019
700,000	280,000	140,000	140,000	October 2017

The facilities are secured by certain property, plant and equipment (Note 7) in favour of the bank. It also requires, among other matters, certain restrictions on the payment of dividends and a requirement to maintain a minimum leverage ratio (current assets to current liabilities) of 1.5:1.

18. TRADE AND OTHER PAYABLES

	2015 KD	2014 KD
Trade payables	1,971,189	1,332,725
Dividends payable	269,403	173,672
Staff payable	274,364	224,634
Accrued expenses	38,628	49,314
Advances from customers	7,283	31,658
KFAS	16,416	13,517
NLST	48,286	38,423
Zakat	22,090	17,947
Directors' remuneration	30,000	25,000
Others	76,529	45,096
	2,754,188	1,951,986

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 KD	2014 KD
Staff costs	618,421	539,196
Depreciation (Note 7)	24,558	26,658
Rent	20,975	19,781
Communication expenses	27,809	25,287
Professional fees	20,085	21,147
Travel expense	31,892	26,214
Stationery expenses	23,189	29,353
Others	63,275	45,521
	830,204	733,157

20. SELLING AND DISTRIBUTION EXPENSES

	2015 KD	2014 KD
Transportation expenses	392,428	375,551
Staff costs	162,442	141,890
Packing expenses	235,530	189,062
Others	70,962	53,911
	861,362	760,414

21. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2015	2014
Profit for the year (KD)	1,709,920	1,408,259
Weighted average number of shares outstanding:		
Number of issued shares	64,442,750	64,442,750
Less: Weighted average number of treasury shares	(1,129,092)	(1,430,462)
Weighted average number of shares outstanding	63,313,658	63,012,288
Basic and diluted earnings per share (fils)	27.01	22.35

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Significant related party transactions and balances are as follows:

Consolidated statement of financial position:	**2015**	**2014**
	KD	KD
Due to a related party		
• *Yanbu Saudi Kuwaiti Paper Product Company Ltd*	24,927	-
Directors' remuneration payable (Note 18)	30,000	25,000

Amount due to a related party is payable on demand and is non-profit bearing.

	2015	**2014**
	KD	KD
Compensation to key management personnel		
• Salaries and short-term benefits	253,164	245,938
• Post employment benefits	20,760	20,039
• Directors' remuneration	30,000	25,000

23. SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group conducts its activities through the below main operating segments:

Industrial Packaging Division: Produces and supplies multi-wall paper sacks for industrial use.

Consumer Packaging Division: Produces and supplies various types of superior value and high quality bags and wrapping sheets to major regional and international flagships and chains.

Flexible Packaging Division: Produces and supplies multi-ply printed and laminated films, including aluminium foil lamination.

Trading Division: Importing and trading various types of paper related products such as photo copier paper, offset paper, NCR, coated paper and ink.

The following is an analysis of the Group's revenue and results by operating segments for the year:

23. SEGMENT REPORTING (Continued)

	2015 KD	2014 KD	2015 KD	2014 KD
	Revenue		Segment results	
Industrial packaging division	10,348,917	9,134,514	2,173,624	1,770,486
Commercial packaging division	3,875,862	3,441,039	1,295,894	989,723
Flexible packaging division	920,126	689,360	67,555	62,298
Trading division	196,286	314,475	20,657	41,596
	15,341,191	13,579,388	3,557,730	2,864,103
Other income			57,335	78,892
Foreign exchange gain			24,793	68,871
Share of results of an associate			35,851	127,774
Unrealised loss on financial assets at fair value through profit or loss			(77,334)	(94,334)
Impairment loss on available for sale financial assets			(36,843)	-
General and administrative expenses			(830,204)	(733,157)
Selling and distribution expenses			(861,362)	(760,414)
Finance costs			(34,157)	(49,810)
Provisions-net			(11,800)	-
Other deductions			(114,089)	(93,666)
Profit for the year			1,709,920	1,408,259

The following is an analysis of the Group's revenue and segment results by geographical area for the year:

	2015 KD	2014 KD	2015 KD	2014 KD
	Revenue		Segment results	
Kuwait	5,183,665	4,644,747	1,403,468	1,204,525
GCC	8,002,922	6,839,900	1,736,168	1,298,544
Asia	1,264,477	1,210,026	229,824	216,335
Africa	890,127	884,715	188,270	144,699
	15,341,191	13,579,388	3,557,730	2,864,103

The following is an analysis of the Group's assets and liabilities by geographical area for the year:

	2015 KD	2014 KD	2015 KD	2014 KD
	Assets		Liabilities	
Kuwait	16,076,230	15,030,041	2,717,641	2,669,389
GCC	5,911,793	5,431,677	1,107,471	462,628
	21,988,023	20,461,718	3,825,112	3,132,017

24. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's activities expose it to variety of financial risks: e.g. market risk (i.e. foreign currency risk, profit rate risk and equity price risk), credit risk and liquidity risk. The Group management policies for reducing each of the risks are discussed below. The Group does not use derivative financial instruments based on future speculations.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 5 to the financial statements.

24.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises of, foreign currency risk, profit rate risk and equity price risk.

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates that affects the Group's cash flows or the valuation of the monetary assets and liabilities denominated in foreign currency.

The Group has set policies for the management of foreign exchange risk which require each Company in the Group to manage the foreign risk against its currency of operation. The Group tracks and manages these risks by:

- Monitoring the changes in foreign currency exchange rates on regular basis.
- Set up tide limits for dealing in foreign currencies for the basic objectives of the Group's activities.

The following is net foreign currencies positions as at the date of the consolidated financial statements:

	2015	2014
	KD	KD
United States Dollar	436,398	77,669
Saudi Riyal	2,624,884	2,473,268
United Arab Emirate Dirhams	5,554,466	4,684,804
Omani Riyal	76,194	75,544
Euro	380,234	107,924

The tables below analyse the effect of a 5% strengthening in value of the currency rate against the Kuwaiti Dinar from levels applicable at 31 December, with all other variables held constant on the consolidated statement of profit or loss and consolidated statement of equity. The effect of decreases in foreign currency is expected to be equal and opposite to the effect of the increases shown.

24. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

24.1 Market risk (continued)

a) Foreign currency risk (continued)

	Change in currency rate (%)	Effect on profit for the year		Effect on equity	
		2015	2014	2015	2014
		KD	KD	KD	KD
United States Dollar	+5%	21,820	3,883	21,820	3,883
Saudi Arabian Riyals	+5%	4,680	7,705	133,037	130,052
United Arab Emirate Dirhams	+5%	25,797	21,672	277,723	234,240
Omani Riyal	+5%	3,810	3,777	3,810	3,777
Euro	+5%	19,012	5,396	19,012	5,396

b) Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. At present, the Group is not exposed to a significant risk, since the term deposits and bank borrowings carries a fixed profit rate. The Group has no other interest bearing financial assets or financial liabilities at the reporting date.

c) Equity price risk

Equity price risk is the risk that fair values of equity instruments change as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in quoted equity securities classified as "financial assets at fair value through profit or loss". To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in quoted equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

Market indices	Change in equity instrument price	Effect on profit of the year	
		2015 KD	2014 KD
Kuwait Stock Exchange	+5%	8,804	9,445

The effect of decreases in equity prices is expected to be equal and opposite to the effect of increases shown. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

24. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

24.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of bank balances, term deposits, trade and other receivables. The Group's bank balances, short term bank deposits and term deposit are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the financial position date is as follows:

	2015	2014
	KD	KD
Trade receivables	2,463,022	2,249,904
Other receivables (excluding advance to suppliers and prepayments)	67,446	50,403
Term deposit	100,000	-
Short term deposits	200,000	500,000
Bank balances	2,364,942	2,350,212
	5,195,410	5,150,519

At the financial position date, 48.4% of the net trade receivables are due from 10 customers (2014 – 36.4% of the net trade receivables are due from 10 customers).

Geographic concentration of maximum exposure to credit risk
The maximum exposure to credit risk for financial assets at the reporting date by geographical region and industry wise sector as follows:

	GCC	Other	Total
	KD	KD	KD
At 31 December 2015			
Trade receivables	2,463,022	-	2,463,022
Other receivables (excluding advance to suppliers and prepayments)	67,446	-	67,446
Term deposit	100,000	-	100,000
Short term deposits	200,000	-	200,000
Bank balances	2,364,942	-	2,364,942
	5,195,410	-	5,195,410
At 31 December 2014			
Trade receivables	2,249,904	-	2,249,904
Other receivables (excluding advance to suppliers and prepayments)	50,403	-	50,403
Term deposit	-	-	-
Short term deposits	500,000	-	500,000
Bank balances	2,350,212	-	2,350,212
	5,150,519	-	5,150,519

24. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

24.2 Credit risk (continued)

Geographic concentration of maximum exposure to credit risk (continued)

	2015	2014
	KD	KD
Industry sector:		
Manufacturing	2,530,468	2,300,307
Banks and financial institutions	2,664,942	2,850,212
	5,195,410	5,150,519

24.3 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 and 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 Company'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.

At 31 December 2015	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	KD	KD	KD	KD	KD
Bank borrowings	-	184,000	193,520	91,080	468,600
Due to a related party	-	24,927	-	-	24,927
Trade and other payables (excluding advances)	1,510,804	1,236,101	-	-	2,746,905
Capital commitments	-	1,158,850	-	-	1,158,850
Financial guarantee contracts	-	105,514	-	-	105,514
Operating lease commitments	-	62,061	53,061	159,183	274,305

At 31 December 2014	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
	KD	KD	KD	KD	KD
Bank borrowings	-	241,941	383,960	91,080	716,981
Trade and other payables (excluding advances)	-	1,920,328	-	-	1,920,328
Capital commitments	-	229,728	-	-	229,728
Financial guarantee contracts	-	60,753	-	-	60,753
Operating lease commitments	-	50,456	50,456	151,368	252,280

24. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

24.4 Capital risk management

The Group's objective when managing capital are to safeguard the its 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.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value represents the price that would be received to sell as assets or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. In the opinion of the Group's management, the carrying value of the financial assets and liabilities as at 31 December 2015 and 2014 approximate its fair value.

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.

The Group's carrying value of the financial assets and liabilities are stated in the consolidated statement of financial position as follows:

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
	KD	KD	KD	KD
2015				
Financial assets:				
Trade receivables	-	-	2,463,022	2,463,022
Other receivables (excluding advance to suppliers and prepayments)	-	-	67,446	67,446
Financial assets at fair value through profit or loss	176,072	-	-	176,072
Term deposit	-	-	100,000	100,000
Cash and cash equivalents	-	-	2,570,291	2,570,291
	176,072	-	5,200,759	5,376,831
Financial liabilities:				
Bank borrowings	-	-	456,000	456,000
Due to a related party	-	-	24,927	24,927
Trade and other payables (excluding advances from customers)	-	-	2,746,905	2,746,905
	-	-	3,227,832	3,277,832

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
	KD	KD	KD	KD
2014				
Financial assets:				
Available for sale financial assets	36,843	-	-	36,843
Trade receivables	-	-	2,249,904	2,249,904
Other receivables (excluding advances to suppliers and prepayments)	-	-	50,403	50,403
Financial assets at fair value through profit or loss	253,406	-	-	253,406
Cash and cash equivalents	-	-	2,854,587	2,854,587
	290,249	-	5,154,894	5,445,145
Financial liabilities:				
Bank borrowings	-	-	697,941	697,941
Trade and other payables (excluding advances from customers)	-	-	1,920,328	1,920,328
	-	-	2,618,269	2,618,269

Financial instruments measured at fair value

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: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2015	Level 1	Level 3	Total
	KD	KD	KD
Financial assets at fair value through profit or loss			
Local quoted securities	176,072	-	176,072

31 December 2014	Level 1	Level 3	Total
	KD	KD	KD
Financial assets at fair value through profit or loss			
Local quoted securities	188,906	-	188,906
Investment in portfolio-fund	-	64,500	64,500
Total	188,906	64,500	253,406

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Reconciliation of Level 3 fair value measurements of financial assets

	2015	2014
	KD	KD
Financial assets at fair value through profit or loss		
At 1 January	64,500	98,000
Change in fair value	(64,500)	(33,500)
At 31 December	-	64,500

All other financial assets and financial liabilities carried at amortised cost approximate their fair values at the financial position date.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

i) Quoted securities
All the listed equity securities are publicly traded on a recognised stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

ii) Investment in portfolio-fund
The underlying investments of Investment in portfolio-fund comprise of unquoted securities. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers.

26. COMMITMENTS AND CONTINGENT LIABILITIES

	2015	2014
	KD	KD
Capital commitments		
For the purchase of property, plant and equipment	1,158,850	229,728
Contingent liabilities		
Letters of credit	377,173	1,348,742
Letters of guarantee	105,514	60,753
	482,687	1,409,495

26. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Operating lease commitments – Group as lessee
The Group has entered in to an operating lease agreements on certain lands obtained from the government of Kuwait and the government of Dubai (Note 7). The operating lease agreement has five years life. There are no restrictions placed upon the Group by entering in to these leases.

Future minimum rental payables under non-cancellable operating lease as at 31 December are as follows:

	2015	**2014**
	KD	KD
Not later than one year	62,061	50,456
Later than one year but not later than five years	212,244	201,824

27. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly Meeting of shareholders was held on 13 April 2015 and approved the consolidated financial statements of the Group for the year ended 31 December 2014 and the Board of Directors recommendation to distribute cash dividend of 20% of the share capital less treasury shares (20 fils per share) amounting to KD 1,260,245 (2013: KD 720,145) for the year ended 31 December 2014 to the registered shareholders at the date of the General Assembly.

The Board of Directors in their meeting held on 14 February 2016 proposed a cash dividend of 20% equivalent to 20 fils per share (2014: 20% equivalents to 20 fils per share) and bonus share of 25% equivalent to 25 fils per share (2014: nil) for the year ended 31 December 2015, and to distribute directors remuneration of KD 30,000 (2014: KD 25,000) which is subject to approval of the shareholders Annual General Assembly.