

Consolidated financial statements and independent auditors' report
Ikarus Petroleum Industries Company – KPSC and Subsidiaries
Kuwait

31 December 2015

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Independent auditors' report

To the shareholders of
Ikarus Petroleum Industries Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ikarus Petroleum Industries Company KPSC (the "Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ikarus Petroleum Industries Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Matters

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. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012 and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law and the Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or financial position of the Group.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Abdullatif A.H. Al-Majid
(Licence No. 70-A)
of Parker Randall (Allied Accountants)

Kuwait
9 March 2016

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Income			
Realised gain on sale of investments at fair value through profit or loss		29,534	-
Unrealised (loss)/gain on investments at fair value through profit or loss		(43,246)	100,785
Realised gain on sale of available for sale investments		3,850,249	7,673,083
Dividend income from available for sale investments		5,949,849	6,816,807
Dividend income from investments at fair value through profit or loss		148,226	148,226
Interest income		140,563	136,109
Foreign exchange loss		(599,344)	(663,502)
		9,475,831	14,211,508
Expenses and other charges			
Staff costs		399,980	450,653
Finance costs	8a	1,298,525	1,270,991
Other operating expenses		323,435	522,683
Impairment in value of available for sale investments	11e	15,001,652	-
		17,023,592	2,244,327
(Loss)/profit before taxation and other statutory contributions and directors' remuneration		(7,547,761)	11,967,181
Taxation and other statutory contributions	9	(288,882)	(1,772,158)
Directors' remuneration		-	(82,500)
(Loss)/profit for the year		(7,836,643)	10,112,523
Basic and diluted (loss)/earnings per share	10	(10.02) Fils	12.93 Fils



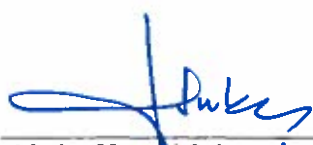
Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
(Loss)/profit for the year	(7,836,643)	10,112,523
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Available for sale investments:		
- Net change in fair value arising during the year	(71,879,999)	(23,589,793)
- Transferred to consolidated statement of profit or loss on sale	(1,477,107)	(8,027,408)
- Transferred to consolidated statement of profit or loss on impairment	15,001,652	-
<i>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</i>	(58,355,454)	(31,617,201)
Total other comprehensive income for the year	(58,355,454)	(31,617,201)
Total comprehensive income for the year	(66,192,097)	(21,504,678)

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Non-current assets			
Available for sale investments	11	66,635,420	165,838,266
Current assets			
Available for sale investments	11	5,897,931	6,702,063
Investments at fair value through profit or loss	12	4,057,849	4,081,316
Due from ultimate parent company	22	3,583,487	3,455,462
Accounts receivable and other assets	13	22,525,428	65,846
Cash and cash equivalents	14	1,379,157	1,197,134
Total current assets		37,443,852	15,501,821
Total assets		104,079,272	181,340,087
Equity and liabilities			
Equity			
Share capital	15	78,750,000	78,750,000
Treasury shares	16	(1,035,114)	(814,692)
Legal reserve	17	7,445,326	7,445,326
Voluntary reserve	17	2,266,720	2,266,720
Cumulative changes in fair value	17	(9,718,483)	48,636,971
(Accumulated losses)/Retained earnings		(7,644,873)	8,011,184
Total equity		70,063,576	144,295,509
Liabilities			
Non-current liabilities			
Long term borrowings	18	25,448,750	30,363,850
Current liabilities			
Short term borrowings	19	6,589,750	4,200,000
Other liabilities	20	1,977,196	2,480,728
Total current liabilities		8,566,946	6,680,728
Total liabilities		34,015,696	37,044,578
Total equity and liabilities		104,079,272	181,340,087


Nader Hamad Sultan
Chairman




Suhail Yousef Abograis
Director & CEO

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital	Treasury shares	Legal reserve	Voluntary reserve	Cumulative changes in fair value	Retained earnings/ (accumulated losses)	Total
	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2015	78,750,000	(814,692)	7,445,326	2,266,720	48,636,971	8,011,184	144,295,509
Transaction with owners							
Purchase of treasury shares	-	(220,422)	-	-	-	-	(220,422)
Dividend distribution (Note 23)	-	-	-	-	-	(7,819,414)	(7,819,414)
Total transaction with owners	-	(220,422)	-	-	-	(7,819,414)	(8,039,836)
Loss for the year	-	-	-	-	-	(7,836,643)	(7,836,643)
Other comprehensive income for the year	-	-	-	-	(58,355,454)	-	(58,355,454)
Total comprehensive income for the year	-	-	-	-	(58,355,454)	(7,836,643)	(66,192,097)
Balance as at 31 December 2015	78,750,000	(1,035,114)	7,445,326	2,266,720	(9,718,483)	(7,644,873)	70,063,576

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Total KD
Balance as at 1 January 2014	75,000,000	(793,687)	6,380,906	2,164,821	80,254,172	10,263,435	173,269,647
Transaction with owners							
Purchase of treasury shares	-	(21,005)	-	-	-	-	(21,005)
Dividend distribution (Note 23)	-	-	-	-	-	(7,448,455)	(7,448,455)
Bonus share (Note 23)	3,750,000	-	-	-	-	(3,750,000)	-
Total transaction with owners	3,750,000	(21,005)	-	-	-	(11,198,455)	(7,469,460)
Profit for the year	-	-	-	-	-	10,112,523	10,112,523
Other comprehensive income for the year	-	-	-	-	(31,617,201)	-	(31,617,201)
Total comprehensive income for the year	-	-	-	-	(31,617,201)	10,112,523	(21,504,678)
Transfer from reserve (Note 23)	-	-	-	(962,521)	-	962,521	-
Transfer to reserves	-	-	1,064,420	1,064,420	-	(2,128,840)	-
Balance as at 31 December 2014	78,750,000	(814,692)	7,445,326	2,266,720	48,636,971	8,011,184	144,295,509

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES			
(Loss)/profit before taxation and other statutory contributions and directors' remuneration		(7,547,761)	11,967,181
Adjustments:			
Realized gain on sale of available for sale investments		(3,850,249)	(7,673,083)
Dividend income from available for sale investments		(5,949,849)	(6,816,807)
Dividend income from investments at fair value through profit or loss		(148,226)	(148,226)
Interest income		(140,563)	(136,109)
Finance costs		1,298,525	1,270,991
Impairment in value of available for sale investments		15,001,652	-
Foreign exchange loss on non-operating liabilities		641,100	699,725
		(695,371)	(836,328)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		23,467	(77,119)
Accounts receivable and other assets		(868)	127,536
Due from ultimate parent company		-	(136,109)
Other liabilities		(144,933)	128,560
Net cash used in operations		(817,705)	(793,460)
KFAS paid		(200,453)	-
NLST paid		(259,652)	(282,961)
Zakat paid		(103,861)	(113,184)
Directors' remuneration paid		(82,500)	(72,500)
Net cash used in operating activities		(1,464,171)	(1,262,105)
INVESTING ACTIVITIES			
Dividend income received from investments		6,098,075	6,965,033
Proceed from sale of available for sale investments		11,158,713	14,559,774
Purchase of available for sale investments		(3,117,305)	(13,333,116)
Interest received		7,063	-
Net cash from investing activities		14,146,546	8,191,691
FINANCING ACTIVITIES			
Dividends paid		(7,824,920)	(7,416,098)
Finance cost paid		(1,298,525)	(1,270,991)
Loans (repaid)/obtained		(3,166,450)	1,500,000
Purchase of treasury shares		(210,457)	(21,005)
Net cash used in financing activities		(12,500,352)	(7,208,094)
Net increase/(decrease) in cash and cash equivalents		182,023	(278,508)
Cash and cash equivalents at beginning of the year		1,197,134	1,475,642
Cash and cash equivalents at end of the year	14	1,379,157	1,197,134

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Ikarus Petroleum Industries Company – KPSC, (“the Parent company”) was incorporated on 1 February 1997 and listed on the Kuwait stock exchange on 14 April 2008. The Parent company is a subsidiary of National Industries Company Holding – SAK “ultimate parent company. The parent company along with its subsidiaries (refer note 7) are jointly referred to as “the Group”.

The objectives for which the company has been incorporated are as follows:

- 1- Manufacture all kinds of chemical and petrochemical materials and any other related materials (subject to approval by the Public Authority for Industry).
- 2- Establish, manage, operate and acquire chemical projects and market their products
- 3- Establish, manage, operate and acquire chemical and petrochemical projects and market their products (subject to approval by Kuwait Petroleum Corporation)
- 4- Sell, purchase, supply, distribute, export and store chemical materials and related materials and participate in all related activities, for instance and not limited to establishment and leasing of the necessary services.
- 5- Sell, purchase, supply, distribute, export and store chemical and petrochemical materials and related materials and participate in all related activities, for instance and not limited to establishment and leasing of the necessary services (subject to approval by Kuwait Petroleum Corporation)
- 6- Contribute to the share capitals of all kinds of companies inside and outside Kuwait which perform similar activities for the company's objectives
- 7- Utilize surplus funds available with the company by investing same in financial portfolios and funds managed by specialized companies and authorities whether inside or outside Kuwait.

The company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The company may also purchase or share these entities or affiliate them therewith.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new executive regulations.

The address of the Parent company is Al-Qiblah Area – Part 6, Building 3 – Sheikh Salem Al-Ali Al-Subah Complex – Second Floor, Office No. 18.

The board of directors approved these consolidated financial statements for issue on 9 March 2016. The general assembly of the Parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”).

The Group has elected to present the “consolidated statement of comprehensive income” in two statements: the “consolidated statement of profit or loss” and a “consolidated statement of profit or loss and other comprehensive income”.

Notes to the consolidated financial statements (continued)

3 Statement of compliance

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year, except for the adoption of new and amended standards discussed below:

4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 19 Defined Benefit Plans: Employee Contributions -Amendments	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits 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. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment did not have any material impact to the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) *Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.

(ii) *Amendments to IFRS 13*- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) *Amendments to IFRS 8*- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) *Amendments to LAS 16 and LAS 38*- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) *Amendments to LAS 24*- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

The amendments did not have any material impact to the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

Annual Improvements 2011-2013 Cycle

(i) *Amendments to IFRS 1*-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented.

(ii) *Amendments to IFRS 3*- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) *Amendments to IFRS 13*- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

(iv) *Amendments to IAS 40* - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property

The amendments did not have any material impact to the Group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 July 2016

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income. This will affect the Group's investment amounting to KD3,066,032 which are carried at cost (see note 11a), if such investments are still held on 1 January 2018.
- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Disclosure Initiative – Amendments (continued)

- *Statement of financial position and statement of profit or loss and other comprehensive income:* The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI 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:* The amendments 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 and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception – Amendments (continued)

- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

- (i) *Amendments to IFRS 5* - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- (ii) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in consolidated financial statements
- (iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- (iv) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

These amendments are not expected to have any material impact on the Group's consolidated financial statements.

5 Summary of significant accounting policies

The significant accounting policies and measurement bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the subsidiaries are set out in Note 7 to the consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5.3 Segment reporting

Operating segments are reported in manner consistent with the internal reporting provided to the chief operating decision maker. The direct operating decision makers who is responsible for allocating resources and assessing performance of the reporting segments, has been identified as the investment committee that makes the strategic decisions.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.4 Revenue

Revenue arises from Group's investment activities. It is measured by reference to the fair value of consideration received or receivables.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. The following specific recognition criteria should also be met before revenue is recognised;

5.4.1 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

5.4.2 Dividend income

Dividend income are recognised at the time the right to receive payment is established.

5.5 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.7 Financial instruments

5.7.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either:
 - (a) the Group has transferred substantially all the risks and rewards of the asset or
 - (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7 Financial instruments (continued)

5.7.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented in the consolidated statement of profit or loss under separate line item as “Unrealised loss on investments at fair value through profit or loss”, “Realised gain/(loss) on investments at fair value through profit or loss”, “Realised gain on sale of available for sale investments”, “interest and other income”, “foreign exchange loss” “Dividend income from available for sale investment” and “Dividend income from investment at fair value through profit and 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. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The Group categorises loans and receivables into following categories:

• *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

• *Due from ultimate parent company, receivables and other financial assets*

Advances provided/received and other transactions with the ultimate parent company are recorded under “due from ultimate parent company”.

Loans and receivables which are not categorised under any of the above are classified as “Receivables and other financial assets”

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7 Financial instruments (continued)

5.7.2 Classification and subsequent measurement of financial assets (continued)

- **Financial assets at FVTPL**

Classification of investments as financial assets at FVTPL depends on how management monitor the performance of these investments. Investments at FVTPL are either “held for trading” or “designated” as such on initial recognition.

The Group classifies investments as trading if they are acquired principally for the purpose of selling or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Group does not have any hedging instruments.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7 Financial instruments (continued)

5.7.2 Classification and subsequent measurement of financial assets (continued)

- *AFS financial assets (continued)*

AFS financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

5.7.3 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include short term borrowings, due to ultimate parent company and other liabilities.

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

- *Financial liabilities other than at fair value through profit or loss(FVTPL)*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Long/short term borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Due to ultimate parent company and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the service provider or not, and classified under other financial liabilities. Advances received/provided and other transactions with the ultimate parent company are recorded under due to ultimate parent company. Financial liabilities other than at FVTPL which do not fall under borrowing or due to ultimate parent company are classified as "Other financial liabilities".

All interest-related charges related to borrowings and due to ultimate parent company are included within finance costs.

- *Financial liabilities at fair value through profit or loss(FVTPL)*

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

The Group has not designated any financial liability as at FVTPL and does not have any financial liabilities held for trading.

5.7.4 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7 Financial instruments (continued)

5.7.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

5.7.6 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

5.8 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent company's articles of association.

Fair value reserve comprises gains and losses relating to available for sale financial assets.

Accumulated losses/retained earnings include all current and prior period retained profits/losses. All transactions with owners of the Parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general assembly meeting.

5.9 Treasury shares

Treasury shares consist of the Parent company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of 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 then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.11 Foreign currency translation

5.11.1 Functional and presentation currency

The financial statements are presented in currency Kuwait Dinar (KD) which is also the functional currency of the Group.

5.11.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Parent company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.12 End of service indemnity

The Parent company 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 reporting date.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Taxation and other statutory contributions

5.13.1 Withholding taxes

The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

5.13.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, cash dividends from listed companies which are subjected to NLST.

5.13.3 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Accumulated losses brought forward can be deducted from the adjusted profit for the year when calculating the KFAS contribution for the year.

5.13.4 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

For the year ended 31 December 2015, the Parent Company has no liability towards NLST, KFAS and Zakat due to losses incurred/accumulated losses. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

6 Significant management judgments and estimation uncertainty

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition. Such judgement determines whether it is subsequently measured at cost, amortised cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or other comprehensive income.

Notes to the consolidated financial statements (continued)

6 Significant management judgments and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 *Classification of financial instruments (continued)*

The Group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Designation of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets. 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 profit or loss in the management accounts, they are designated as at fair value through profit or loss.

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.

All other financial assets are classified as available for sale.

6.1.2 *Control assessment*

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different

6.2.1 *Impairment of available for sale equity investments*

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. During the year the Group recognised impairment losses of KD15,001,652 (2014: KD Nil) against available for sale investments.

6.2.2 *Fair value of financial instruments*

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see notes 24).

6.2.3 *Provision for Taxation*

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made (refer note 9).

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

The details of the consolidated subsidiaries are as follows:

	Country of incorporation	Percentage Ownership 31 Dec. 2015	Percentage Ownership 31 Dec. 2014
Ikarus Petrochemical Holding Company S.P.C.	Bahrain	100%	100%
Ikarus Industrial Holding Company S.P.C.	Bahrain	100%	100%

The Majority of the Group's investments in foreign quoted shares(see note 11b), representing investments in quoted Saudi Companies operating in the fields of chemicals and petrochemicals are held through the above two Special Purpose Vehicles (SPV's) incorporated in the Kingdom of Bahrain solely to own these shares.

8 Net (loss)/gain on financial assets and financial liabilities

Net (loss)/gain on financial assets and financial liabilities, analysed by category, is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Loans and receivables		
- Cash and cash equivalents and due from ultimate parent company (refer 8b)	182,319	172,332
Investments at fair value through profit or loss		
- Investments designated on initial recognition	134,514	249,011
Available for sale investments		
- Recognised directly in other comprehensive income	(58,355,454)	(31,617,201)
- Recognised directly in profit or loss	8,322,991	6,462,482
- Recycled from other comprehensive income to profit or loss		
On sale	1,477,107	8,027,408
On impairment in value	(15,001,652)	-
	(63,240,175)	(16,705,968)
Financial liabilities at amortised cost		
- Borrowings (refer 8a)	(1,939,625)	(1,970,716)
	(65,179,800)	(18,676,684)
Net (loss)/gain recognised in the consolidated statement of profit or loss	(6,824,346)	12,940,517
Net loss recognised directly in other comprehensive income	(58,355,454)	(31,617,201)
	(65,179,800)	(18,676,684)

	31 Dec. 2015 KD	31 Dec. 2014 KD
8a. Net loss on financial liabilities at amortised cost is arrived at as follows:		
- Finance costs – on borrowings	1,298,525	1,270,991
- Foreign exchange loss on retranslation of borrowings, included under "Foreign exchange loss" in the consolidated statement of profit or loss	641,100	699,725
	1,939,625	1,970,716

8b. Net gain on cash and cash equivalents is arrived at after adjusting for foreign exchange gain of KD41,756 (2014: gain of KD36,223).

Notes to the consolidated financial statements (continued)

9 Taxation and other statutory contributions

(a) Taxation*

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Current year charge	288,882	334,437
Under provision in relation to previous years	-	988,542
	288,882	1,322,979

(b) KFAS, NLST and Zakat of Parent Company

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	-	95,798
Provision for National Labour Support Tax (NLST)	-	249,558
Provision for Zakat	-	103,823
	-	449,179
	288,882	1,772,158

*The above represents tax related to dividend income received from investments in a GCC Country. During the fourth quarter of the previous year, the Parent Company has discovered that there may be a potential tax liability on dividend income received from foreign entities located in a GCC country (at the rate of 5%), which the Parent Company's management was not aware of in the past. No tax claims or assessments have been made by any regulatory authority as of date. However based on advice received from consultants and other information available to the Parent Company's management, on a conservative basis, the Group provided an amount of KD1,322,979 at the end of 31 December 2014. Accordingly, during the year, the Group has also made a provision of KD216,480 on any taxes which may arise on the dividend income recognised as income during the year. The provisions have been included under accounts payable and other liabilities. Further, during the 3rd quarter of the current year, the Group has received dividend from a foreign entity located in a GCC country, and such dividend has been received net of taxes amounting to KD72,402 as the portfolio manager has deducted the relevant tax from the account. However the Group has decided to gross up the dividend income by the amount of KD72,402 and show it separately as tax expenses.

10 Basic and diluted (loss)/earnings per share

(Loss)/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:

	31 Dec. 2015	31 Dec. 2014
(Loss)/profit for the year (KD)	(7,836,643)	10,112,523
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	781,785,566	782,084,264
Basic and diluted (loss)/earnings per share	(10.02) Fils	12.93 Fils

Notes to the consolidated financial statements (continued)

11 Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current		
Quoted shares - foreign	63,569,388	135,148,054
	63,569,388	135,148,054
Unquoted shares - foreign	3,066,032	30,690,212
	3,066,032	30,690,212
	66,635,420	165,838,266
Current		
Quoted shares - local	5,897,931	6,702,063
Total	72,533,351	172,540,329

- The local quoted shares represent investments in various sectors. Local quoted shares with a carrying value of KD5,221,221 (2014: KD5,967,130) are pledged against a short term loan facility from a local bank (refer note 19).
- Foreign quoted shares represent investment in quoted Saudi companies operating in the fields of chemicals and petrochemicals. Majority of these shares, with a carrying value of KD63,548,880 as at 31 December 2015 (31 December 2014: KD135,125,191) are held through the two 100% owned subsidiaries incorporated in the Kingdom of Bahrain solely to own these shares.
- Foreign quoted shares with a carrying value of KD29,711,321 (31 December 2014: KD45,252,244) are pledged against long term loans (refer note 18).
- Investments in unquoted shares are stated at cost due to the non availability of quoted market prices or other reliable measures of its fair value. Management is not aware of any circumstances that would indicate impairment in the value of these investments.

Foreign unquoted shares as of 31 December 2015 amounting to KD3,066,032 (31 December 2014: KD3,066,032) represent investments in an unlisted company operating in the field of oil and gas..

- During the year, the Group recognised impairment loss amounting to KD15,001,652 (31 December 2014: Nil) for certain foreign and local quoted shares.
- During the year, the Group entered into an agreement with a foreign party to dispose foreign unquoted shares with a carrying value of KD27,624,180 (which was carried at cost) for a total consideration of KD29,976,839 (net of taxes) realising a net gain of 2,352,659 being recognised in the consolidated statement of profit or loss under "realised gain on sale of available for sale investments". The Group has received an amount of KD7,518,125 from the total selling price and the remaining balance amounting to KD22,458,714 was included under "accounts receivables and other assets" in the consolidated statement of financial position (refer note 13).

Notes to the consolidated financial statements (continued)

12 Investments at fair value through profit or loss

	31 Dec. 2015 KD	31 Dec. 2014 KD
Designated on initial recognition :		
Local money market funds	1,565,916	1,788,445
Managed portfolios:		
- Local quoted shares	2,454,993	2,292,871
- Foreign quoted shares	36,940	-
	4,057,849	4,081,316

a) Effect of reclassification

During 2008 as a result of adoption of the amendments to IAS 39 and IFRS 7 with effect from 1 July 2008 the Group reclassified certain investments with a fair value of KD30,065,885 as at 1 July 2008 from “fair value through profit or loss” category to “available for sale” category. The fair value of the remaining reclassified investments as of 31 December 2015 amounted to KD5,897,931 (2014: KD6,702,063).

- b) During October 2008, a local money market funds, in which the Group has investments totaling to KD1,401,466 as at 31 December 2015 (2014: KD1,623,993), suspended redemption requests. During the year, the Parent company’s management has been informed by the manager of the fund that the request made to liquidate the Fund has been accepted by the relevant authorities.

During the year, the fund liquidator has redeemed 6.14% of the units held as per the liquidator (amounting to KD61,679) and the redemption value has been calculated based on the last financial report submitted to the authority on 1 March 2015. The investment has been fair valued based on this last redemption value which resulted in an unrealised loss of KD130,847 being recognised in current year’s consolidated statement of profit or loss under “unrealised loss from investments at fair value through profit or loss”. The Parent company’s management expects to realise these investments at not less than its carrying value.

- c) Local quoted shares with a carrying value of KD2,454,993 (2014: KD2,292,871) are pledged against a short term loan facility from a local bank (refer note 19).

13 Accounts receivable and other assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Amount due on sale of investments (a)	22,458,714	-
Prepaid expenses	38,296	37,202
Other assets	28,418	28,644
	22,525,428	65,846

- (a) Represents the amount due on sale of available for sale investments (refer note 11f). Subsequent to the reporting date, the Group has received the outstanding balance.

Notes to the consolidated financial statements (continued)

14 Cash and cash equivalents

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cash and bank balances	425,312	401,276
Cash balances held with portfolio managers	953,845	756,964
Short term bank deposit	-	38,894
Cash and cash equivalents	1,379,157	1,197,134

Previous year's short term deposit carried average effective annual interest of 0.5% per annum.

15 Share capital

As of 31 December 2015, the authorised, issued and fully paid up share capital of the Parent company comprised 787,500,000 shares of 100 fils each (2014: 787,500,000 shares of 100 files each), all shares are paid in cash.

16 Treasury shares

	31 Dec. 2015	31 Dec. 2014
Number of shares	7,925,918	5,558,622
Percentage of issued shares	1.01%	0.71%
Market value (KD)	705,407	811,559
Cost (KD)	1,035,114	814,692

Reserves of the Parent company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

17 Reserves

17.1 Legal and voluntary reserves

As required by the Companies Law and the Parent company's articles of association, 10% of the profit for the year, before KFAS, NLST, Zakat and Directors' remuneration is transferred to the legal reserve until the balance reaches 50% of the Parent company's issued and paid-up capital. Any transfer to the legal reserve thereafter is subject to approval of the general assembly. No transfer is required in a year when losses are made or where cumulative losses exist and any brought forward accumulated losses of the previous year are deducted from the above mentioned profit when calculating the required transfer.

Distribution of the legal 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 distribution of a dividend of that amount.

In accordance with Parent company's articles of association, a certain percentage of the profit for the year before KFAS, NLST, Zakat and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the board of directors which is to be approved at the general assembly. No transfer is required in a year in which the Group has incurred a loss or where cumulative losses exist and any brought forward accumulated losses of the previous year are deducted from the above mentioned profit when calculating the required transfer. There are no restrictions on distribution of voluntary reserve.

Notes to the consolidated financial statements (continued)

17 Reserves (continued)

17.2 Cumulative changes in fair value

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	48,636,971	80,254,172
Net change in fair value arising during the year	(71,879,999)	(23,589,793)
Transferred to consolidated statement of profit or loss on sale of investments	(1,477,107)	(8,027,408)
Transferred to consolidated statement of profit or loss on impairment in value of investments	15,001,652	-
Balance at 31 December	(9,718,483)	48,636,971

The reserve represents accumulated gains and losses arising from changes in fair value of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

18 Long term borrowings

	Effective interest rates %	31 Dec. 2015 KD	31 Dec. 2014 KD
Local bank – US Dollar	3.216%	18,238,500	19,063,850
Local bank – Kuwaiti Dinar	4.5%	12,750,000	14,000,000
		30,988,500	33,063,850
Less: Due within one year		(5,539,750)	(2,700,000)
Total		25,448,750	30,363,850

- a. The above two loans are to be repaid in instalments commencing from July 2015 and ending in January 2018, and the loan facilities are secured against quoted investments (refer note 11c).

19 Short term borrowings

	Effective interest rates %	31 Dec. 2015 KD	31 Dec. 2014 KD
Local bank – Kuwaiti Dinar – (a)	4.5%	1,050,000	1,500,000
Long term borrowings due within one year (note 18)		5,539,750	2,700,000
		6,589,750	4,200,000

- a. During the year, the Parent Company had utilised KD1,050,000 (net) (31 December 2014: KD1,500,000) from the KD7,000,000 loan facility from a local bank, which is secured against local quoted investments with a fair value of KD7,676,214 (31 December 2014 : KD8,260,001) (refer note 11a and 12c).

Notes to the consolidated financial statements (continued)

20 Other liabilities

	31 Dec. 2015 KD	31 Dec. 2014 KD
Provision for Taxation, KFAS, Zakat and NLST	1,716,480	2,055,122
Provision for staff incentives and other accrued expenses	18,493	112,478
Dividend payable	125,535	131,040
Others	116,688	182,088
	1,977,196	2,480,728

21 Segmental analysis

The Group's Operating Segments are determined based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group profit or loss.

The Group activities are concentrated in two main segments: Domestic (Kuwait) and International (Kingdom of Saudi Arabia). The following is the segments information, which conforms with the internal reporting presented to management:

	Domestic KD	International KD	Total KD
2015			
Segment income	693,225	9,381,950	10,075,175
Segment results	(30,190)	9,381,950	9,351,760
Less:			
Impairment in value of available for sale investments			(15,001,652)
Finance costs and foreign exchange loss			(1,897,869)
Loss before taxation and other statutory contributions and Directors' remuneration			(7,547,761)
Net change in fair value of available for sale investments recognised directly in other comprehensive income	(574,296)	(71,305,703)	(71,879,999)
Impairment in value of available for sale investments	(330,957)	(14,670,695)	(15,001,652)
Segment assets	14,063,796	90,015,476	104,079,272
Segment liabilities	(260,716)	(1,716,480)	(1,977,196)
Segment net assets	13,803,080	88,298,996	102,102,076
Borrowings			(32,038,500)
Net assets			70,063,576

Notes to the consolidated financial statements (continued)

21 Segmental analysis (continued)

	Domestic KD	International KD	Total KD
2014			
Segment income	509,035	14,365,975	14,875,010
Segment results	(464,301)	14,365,975	13,901,674
Less:			(1,934,493)
Finance costs and foreign exchange loss			
Profit before taxation and other statutory contributions and Directors' remuneration			11,967,181
Net change in fair value of available for sale investments recognised directly in other comprehensive income	(342,544)	(23,247,249)	(23,589,793)
Segment assets	17,707,608	163,632,479	181,340,087
Segment liabilities	(980,728)	(1,500,000)	(2,480,728)
Segment net assets	16,726,880	162,132,479	178,859,359
			(34,563,850)
Borrowings			144,295,509
Net assets			

22 Related party transactions

Related parties represent, the ultimate parent company, the parent company's directors and key management personnel of the parent company, and other related parties such as subsidiaries of the ultimate parent company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the parent company are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the parent company's management.

Details of significant related party balances and transactions are as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Consolidated statement of financial position		
Due from ultimate parent company (*)	3,583,487	3,455,462
Cash balances held with portfolio managers	92,899	3,618
Consolidated statement of profit or loss		
Interest income - from the ultimate parent company (*)	136,109	136,109
Management and consultancy fees (included in other operating expenses)	13,178	2,277
Compensation of key management personnel of the Group:		
Short term employee benefits and directors remunerations	99,000	181,500

* Due from ultimate parent company at 31 December 2015 includes a short term advance of KD3,000,000 at an interest rate of 4.5% per annum.

Notes to the consolidated financial statements (continued)

23 Dividend distribution

The Board of Directors proposed not to distribute any dividend for the year ended 31 December 2015. This proposal is subject to the approval of the general assembly of the shareholders.

At the Annual General Meeting held on 14 May 2015, the shareholders approved a cash dividend of 10% equivalent to 10 Fils per share amounting to KD7,819,414 for the year ended 31 December 2014.

At the annual general meeting held on 11 May 2014, the shareholders approved a cash dividend of 10% equivalent to 10 fils per share amounting to KD7,448,455 for the year ended 31 December 2013 and bonus shares of 5% of capital and transfer of KD962,521 from voluntary reserve to retained earnings.

24 Summary of financial assets and liabilities by category and fair value measurement

24.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the statement of financial position may also be categorized as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial assets:		
Loans and receivables(at amortised cost):		
• Cash and cash equivalents	1,379,157	1,197,134
• Accounts receivable and other assets	22,525,428	65,846
• Due from ultimate parent company	3,583,487	3,455,462
	27,488,072	4,718,442
Assets at fair value through profit or loss:		
• Investments at fair value through profit or loss (refer Note 12) - Designated on initial recognition	4,057,849	4,081,316
	4,057,849	4,081,316
Available for sale investments (refer Note 11)		
- At fair value	69,467,319	141,850,117
- At cost / cost less impairment (refer note 11 c)	3,066,032	30,690,212
	72,533,351	172,540,329
Total financial assets	104,079,272	181,340,087
Financial liabilities:		
At amortised cost:		
• Long term borrowings	25,448,750	30,363,850
• Short term borrowings	6,589,750	4,200,000
• Other liabilities	1,977,196	2,480,728
Total financial liabilities	34,015,696	37,044,578

Notes to the consolidated financial statements (continued)

24 Summary of financial assets and liabilities by category and fair value measurement (continued)

24.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments at fair value through profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in Note 11d to the consolidated financial statements) are carried at fair value and measurement details are disclosed in 24.4 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs (see note 24.1) is considered a reasonable approximation of their fair values.

24.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

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

24.4 Fair value measurement of financial instruments

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows

31 December 2015		Level 1	Level 2	Level 3	Total
	Note	KD	KD	KD	KD
Assets at fair value					
Available for sale investments					
- Local quoted shares	a	5,897,931	-	-	5,897,931
- Foreign quoted shares	a	63,569,388	-	-	63,569,388
Investments at fair value through profit or loss					
• Managed portfolios:					
- Local quoted shares	a	2,454,993	-	-	2,454,993
- Foreign quoted shares	a	36,940	-	-	36,940
• Local money market funds	b	-	1,401,466	-	1,401,466
Total assets		71,959,252	1,401,466	-	73,360,718

Notes to the consolidated financial statements (continued)

24 Summary of financial assets and liabilities by category and fair value measurement (continued)

24.4 Fair value measurement of financial instruments (continued)

31 December 2014		Level 1	Level 2	Level 3	Total
	Note	KD	KD	KD	KD
Assets at fair value					
Available for sale investments					
- Local quoted shares	a	6,702,063	-	-	6,702,063
- Foreign quoted shares	a	135,148,054	-	-	135,148,054
Investments at fair value through profit or loss					
• Managed portfolios:					
- Local quoted shares	a	2,292,871	-	-	2,292,871
• Local money market funds	b	-	1,788,445	-	1,788,445
Total assets		144,142,988	1,788,445		145,931,433

There have been no transfers between level 1, level 2 and level 3 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period, are as follows:

Financial instruments in level 1

a) Local and foreign quoted securities

All quoted equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

Financial instruments in level 2

b) Local money market funds

The underlying investments of these funds mainly comprise of local and foreign variable and fixed income monetary instruments including treasury bills, bonds and sukuk. The fair values of these funds have been determined based on latest net asset values reported by the investment managers/fund liquidators.

25 Risk management objectives and policies

The Group's principal financial liabilities comprise long and short term borrowings, and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable and other assets, due from ultimate parent company, cash and cash equivalents and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's management is ultimately responsible for management of risks and implements several measures from time to time to manage the risks discussed below.

The Group's policy is not to trade in derivative financial instruments and has not used derivatives financial instruments during the year.

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

The financial risks to which the Group is exposed to are described below.

25.1 Market risk

a) Foreign currency risk

The Group mainly invests in Kuwait and Saudi Arabia. The Group is exposed to changes in exchange rates mainly on its US Dollar, borrowings and Saudi Riyal bank balances and balances with portfolio managers. The Group's financial position can be affected by the movement in the US Dollar and Saudi Riyal. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Foreign currency risk is managed by the Group's management by regular assessment of the Group's open positions.

The Group's net exposure to US Dollar and Saudi Riyal denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follow:

	31 Dec. 2015 KD	31 Dec. 2014 KD
US Dollar	(18,237,915)	(19,063,295)
Saudi Riyal	948,196	812,297

If the Kuwaiti Dinar had strengthened against the US Dollar and Saudi Riyal by 5%, then this would have the following impact on the profit for the year. There is no impact on the Group's equity.

	(Loss)/profit for the year	
	31 Dec. 2015 KD	31 Dec. 2014 KD
US Dollar	(911,896)	953,165
Saudi Riyal	47,410	(40,615)

If the Kuwaiti Dinar had weakened against the US Dollar and Saudi Riyal by 5%, then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability. The Group is exposed to interest rate risk on its KD and US dollar long term borrowings (refer note 18), which are primarily at floating interest rates based on either Central Bank of Kuwait discount rate or LIBOR. Positions are monitored on a regular basis by the Group's management.

The following table illustrates the sensitivity of the profit for the year to a change of interest rate of +75 and -25 basis points for the year 2015 (2014 +75 and -25). The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's equity.

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

25.1 Market risk (continued)

b) Interest rate risk (continued)

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
(Decrease)/increase in profit for the year	-	(259,229)	-	86,410
Increase/(decrease) in loss for the year	240,289	-	(80,096)	-

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments, which are primarily located in Kuwait and the Kingdom of Saudi Arabia. Equity investments are classified either as investments carried at fair value through profit or loss or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group monitors its portfolio and diversifies, where possible.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit for the year and equity for the years ended 31 December would have been as follows:

A positive number below indicates an (decrease)/increase in (loss)/profit and the equity where the equity prices increase by 10%. All other variables are held constant.

	(Loss)/profit for the year		Equity	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Investments at fair value through profit or loss	249,193	229,287	-	-
Available for sale investments				
- Impaired investments (refer *)	3,375,122	-	-	-
- Not impaired investments	-	-	3,571,609	14,185,012
	3,624,315	229,287	3,571,609	14,185,012

* Had equity prices been 10% higher, the impairment loss which was recognised in the consolidated statement of profit or loss would be reduced and consequently, the loss for the year 2015 would be reduced.

A negative number below indicates an (increase)/decrease in (loss)/profit and the equity where the equity prices decreased by 10%. All other variables are held constant.

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

25.1 Market risk (continued)

c) Equity price risk (continued)

	(Loss)/profit for the year		Equity	
	31 Dec. 2015 KD	31 Dec. 2014 KD	31 Dec. 2015 KD	31 Dec. 2014 KD
Investments at fair value through profit or loss	(249,193)	(229,287)	-	-
Available for sale investments				
- Impaired investments	(3,375,122)	-	-	-
- Not impaired investments				
- Change in fair value	-	-	(3,571,609)	(14,185,012)
- Recycled from equity to statement of income (refer **)	(65,259)	-	65,259	-
	(3,689,574)	(229,287)	(3,506,350)	(14,185,012)

** Had the equity prices been 10% lower, some investments considered not to be impaired at 31 December 2015 would be impaired and the cumulative loss recognised in equity relating to these investments would have to be recycled to the statement of income and consequently the loss for the year 2015 would increase.

25.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cash and cash equivalents	1,379,157	1,197,134
Accounts receivable and other assets	22,525,428	65,846
Due from ultimate parent company	3,583,487	3,455,462
Investments at fair value through profit or loss (local money market funds)	1,565,916	1,788,445
	29,053,988	6,506,887

Except as stated in note 12, none of the above financial assets are past due nor impaired. The Group monitors defaults of customers and other counter parties, identified either individually or by group, and incorporate this information into its credit risk controls.

The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

25.2 Credit risk (continued)

The credit risk for cash and bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in note 25.3

25.3 Concentration of assets

The distribution of financial assets by geographic region as at 31 December 2015 and 2014 is as follows:

	Kuwait KD	Other Middle East countries KD	Total KD
At 31 December 2015			
Available for sale investments	8,963,963	63,569,388	72,533,351
Investments at fair value through profit or loss	4,057,849	-	4,057,849
Due from ultimate parent company	3,583,487	-	3,583,487
Accounts receivable and other assets	66,714	22,458,714	22,525,428
Cash and cash equivalents	464,655	914,502	1,379,157
	17,136,668	86,942,604	104,079,272
At 31 December 2014			
Available for sale investments	9,768,095	162,772,234	172,540,329
Investments at fair value through profit or loss	4,081,316	-	4,081,316
Due from ultimate parent company	3,455,462	-	3,455,462
Accounts receivable and other assets	65,846	-	65,846
Cash and cash equivalents	336,889	860,245	1,197,134
	17,707,608	163,632,479	181,340,087

25.4 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 regular basis.

The table below summarises the contractual maturity of financial liabilities based on undiscounted cash flows:

	Up to 1 month KD	1-3 Months KD	3-12 months KD	1-5 Years KD	Total KD
31 December 2015					
Financial liabilities					
Short term borrowings	2,778,804	-	3,931,236	-	6,710,040
Long term borrowings (refer note 18)	-	-	-	27,114,031	27,114,031
Other liabilities	-	-	1,977,196	-	1,977,196
	2,778,804	-	5,908,432	27,114,031	35,801,267
31 December 2014					
Financial liabilities					
Short term borrowings	-	-	4,305,015	-	4,305,015
Long term borrowings (refer note 18)	-	-	-	32,851,117	32,851,117
Other liabilities	-	-	2,480,728	-	2,480,728
	-	-	6,785,743	32,851,117	39,636,860

Notes to the consolidated financial statements (continued)

26 Capital management objectives

The Group's capital management objective is to maximise shareholder value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and 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, buy back treasury shares, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year as compared to the previous year. The capital structure of the Group consists of the following:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Long/short term - borrowings (refer notes 18 and 19)	32,038,500	34,563,850
Less: Cash and cash equivalents (refer note 14)	(1,379,157)	(1,197,134)
Net debt	30,659,343	33,366,716
Total equity	70,063,576	144,295,509
Total capital	100,722,919	177,662,225

Consistent with others in the industry the Group monitors capital on the basis of the gearing ratio. The Group's policy is to keep the gearing ratio within 70%.

This ratio is calculated as net debt divided by total capital as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Net debt	30,659,343	33,366,716
Total capital	100,722,919	177,662,225
Net debt to total capital ratio	30.44%	18.8%

27 Contingent liability

The Group is exposed to a contingent liability relating bank guarantees of KD11,919 (2014: KD11,919).