مشرف
MUSHRIF

Annual Report

2015

“Committed to quality in construction”

MUSHRIF TRADING & CONTRACTING CO. K.S.C.P.

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COMPANY OVERVIEW

Mushrif is a leading Kuwait-based civil construction and infrastructure company with 48 years of experience. We are committed to delivering complex infrastructure projects of high quality, timeously and with proficiency. Mushrif operates efficiently across the full infrastructure cycle, which includes designing, building, managing, developing, operating and maintaining infrastructure assets. Not only do we operate in Kuwait, we have also expanded business operations to the UAE.

2014 ASSE HSE Excellence Award in the Engineering and Construction Sector Category

2015 ASSE HSE Excellence Award in the in the Engineering and Construction Sector Category

2015 HIGHLIGHTS

41%
Increase in operating revenue vs 2014

1,500
Employees

500 +
Units of **construction equipment**

KD177.5m
Backlog (163.4% growth 2012-2015)

KD289.3m
Order book (146.6% growth 2012-2015)

OUR STRATEGY

Our goal is to become a contractor of choice and achieve sustainable, organic growth. We aim to set the benchmark of excellence for our industry with our expertise and adherence to the highest levels of quality in construction and safety.

Strategy	
Disciplined work selection	We focus our efforts on projects that are in line with our areas of expertise built up over five decades of experience.
Market Focus	Being a Kuwait-based company, we have a significant presence in Kuwait's infrastructure market, but with our extensive manpower, equipment and resources, we can easily access other regional markets as well.
Developer Relationships	We focus on developing and maintaining strong, transparent relationships, based on integrity, with current as well as potential clients across our chosen markets.
Targeted Enhancement of Human Capital	We believe in the importance of recruiting and retaining top calibre professionals to ensure that projects are delivered on time and according to the client's exact specifications.

FIELDS OF ACTIVITY

Mushrif operates across five main fields of activity:

- ### Civil and Infrastructure

  We have highly qualified professionals, who we have worked on various projects and programs, with a proven track record of delivering projects successfully. We pride ourselves in understanding client needs and ensure utmost professionalism and precise delivery of client requests.

- ### Oil and Gas

  We have successfully completed several projects in the oil and gas sector over the last 20 years, and have been involved in the construction of Kuwait's first cooling tower project for the petrochemical industry.

- ### Treatment Plants and Pumping Stations

  Using our significant expertise and innovation, and understanding our clients' needs, we have successfully delivered several wastewater treatment plants across Kuwait, Bahrain, Qatar, Iran and the UAE.

- ### Buildings

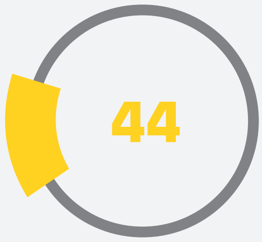
  We have delivered notable buildings of exceptional quality in Kuwait and the UAE, including the impressive Marine Science Centre, which is a state of the art research laboratory for Kuwait University, as well as Abu Dhabi's Central Market - a real landmark in the city of Abu Dhabi.

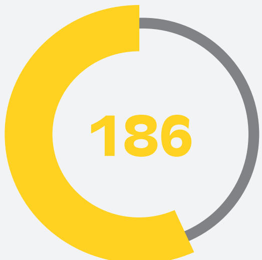
- ### Facilities Operations and Maintenance

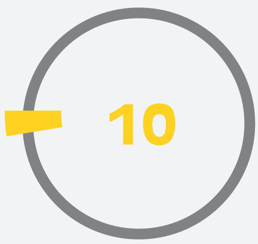
  We undertake a full range of operation and maintenance functions for our projects, including wastewater treatment plants, buildings, roads, as well as a broad spectrum of services required to assure the built environment will perform the functions for which it was designed and constrcuted.

NOTABLE CONTRACTS

10 Year Totals (KD million)







BOARD OF DIRECTORS REPORT

It gives me great pleasure to present to you on behalf of the Board of Directors of Mushrif Trading and Contracting Co. KSCP (MTCC), the key highlights of year 2015 and the annual report for the year ending December 31, 2015.

OVERVIEW
Mushrif Trading and Contracting Co. KSCP managed to increase the volume of its business with an amount of KD 91.8 million within the financial year 2015.

KEY HIGHLIGHTS

- For the year ended December 31, 2015, MTCC has achieved a consolidated turnover of KD 50.2m and a gross profit of KD 4.1m. Gross profit margin is 8.1%.
- Net profit stands at KD 1m.
- Diluted EPS stands at 3.35 fils
- We signed Two (2) projects with an aggregate value of KD 91.8m.

STRATEGY
MTCC is focused on securing projects in Kuwait within its core competency - i.e. infrastructure and heavy civil works. Moreover, MTCC is also seeking to increase its presence in the Oil & Gas sector with Kuwait being a key focus on a short term basis. In addition, MTCC is looking closely at lucrative opportunities as part of its mid-to-long term vision to re-expand its operations in other GCC countries.

GOING FORWARD
MTCC (KCCP) is well positioned in Kuwait to leverage growth opportunities within various sectors of the construction industry, particularly what is related to infrastructure, Oil & Gas.

During 2015, MTCC has signed and commenced Two (2) projects:

1. Contract No. KOC-15050923 for the new flowlines for five existing injection wells, one new source well and replacement of 19 existing brackish water flowlines - WK plus emergency brackish water line to NTF valued at KD 8,997,000;

2. Contract No. RA/238 for the "Construction, Completion and Maintenance of Roads, Bridges, Stormwater Drainage, Sewers and Other Services For Roads Connection Mina Abdullah And Wafra" issued by the Ministry of Public Works valued at KWD 82,808,000.

The projects in hand and prospected projects would be assigned in the near future will qualify the company to achieve its growth and earnings target for 2016;

CONCLUSION
I take this opportunity on behalf of the Board of Directors of Mushrif Trading and Contracting Company KSCP, to extend our warm thanks and gratitude to our partners and customers for their continuous support. Furthermore, we extend our appreciation to all shareholders for their faith in MTCC.

Vice Chairman
Khaldoun Haj Hasan

Olefins II - Seawater cooling towers - Kuwait

BOARD OF DIRECTORS

"I would like to extend our warm thanks and gratitude to our partners and customers for their continuous support."

Chairman

Faisal Juma K. Belhoul

Vice Chairman

Khaldoun Haj Hasan

Member

Mohamed A.M.N. Alqahtany

Member

Mohamed Abdulla Alqubaisi

Member

Rayan Nizar Salam

Member

Mohammed Wassim Khayata

Member

Suleiman Al Braikan

EXECUTIVE MANAGEMENT

1.
Chris Preece
Chief Executive Officer

2.
Mohammed M. Al-Jasser
Director Client Affairs

3.
Manish Dangi
Chief Financial Officer

4.
R. Sasi Nair
Chief Operations Officer

5.
Ian Courtliff
Chief Commercial Officer

6.
Gavin Stone
Chief Human Resources Officer

7.
Rudolph Fourie
Director Commercial

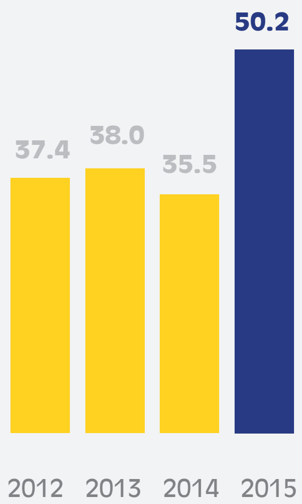
8.
Mohamed Ali Ijhaish
Operations Director – Civil & Building

9.
Fahmy Moustafa
Operations Director – Infrastructure

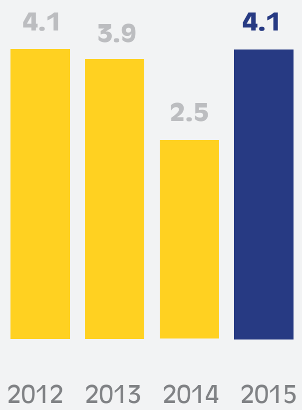
FINANCIAL OVERVIEW

FINANCIALS (KD MILLION)

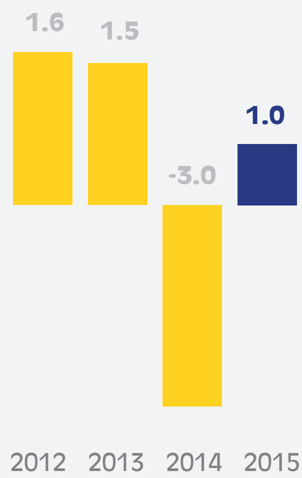
Operating Revenue



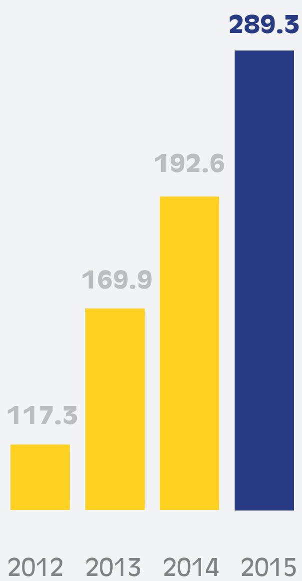
Gross Profit



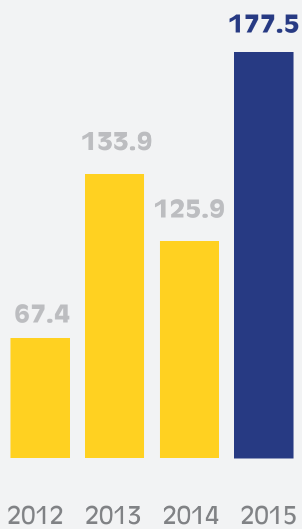
Net Profit



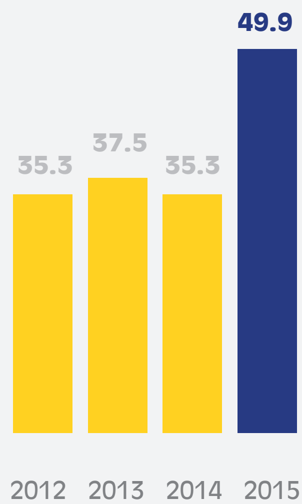
Order Book



Back Log



Contract Revenues



2015 RATIOS

3.35
EPS-Fils

1.57
Current Ratio

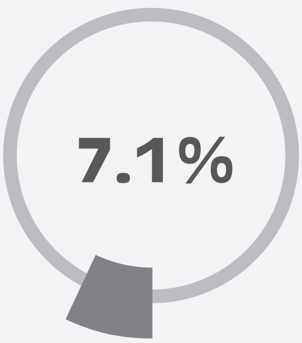
1.59
Total Liabilities-Equity

0.75
Loans Debt-Equity

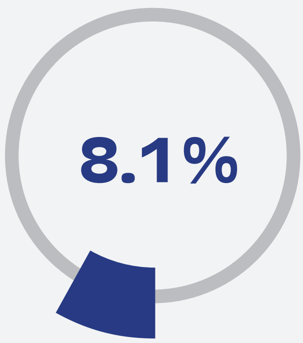
1.46
Quick Ratio

GROSS PROFIT MARGIN

2014



2015



CONTRACTS SIGNED IN 2015

Value	Sector	Client
KD 82.9 million	Civil and Infrastructure	Ministry of Public Works
KD 8.9 million	Oil & Gas	Kuwait Oil Company (KOC)

FINANCIAL STATEMENTS

Central Telemetry Buildings at Ardiya Pumping Station - Kuwait

FOR THE YEAR ENDED 31 DECEMBER 2015

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MUSHRIF TRADING AND CONTRACTING COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mushrif Trading and Contracting Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"),which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of 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

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in 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 the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Building a better working world

BAKER TILLY KUWAIT

Audit, tax and consulting

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MUSHRIF TRADING AND CONTRACTING COMPANY K.S.C.P. (continued)

Emphasis of Matter

We draw attention to Note 9(d) to the consolidated financial statements, which describes the uncertainty relating to a claim filed by the Group against one of the suppliers. Our opinion is not qualified in respect of this matter.

Report on other Legal and Regulatory Requirements

Furthermore, 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 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 regulation of Law No. 25 of 2012, and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and the executive regulation of Law No. 25 of 2012, or of the 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 of the Parent Company or on its consolidated financial position.
financial position.

Waleed A. Al Osaimi
License No. 68 A
EY
(Al Aiban Al Osaimil & Partners)

Dr. Saud Hamad Al-Humaidi
License No. 51 A
of Dr. Saud Hamad Al-Humaidi & Partners
Member of BAKER TILLY INTERNATIONAL

30 March 2016
Kuwait

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Operating revenue	3	50,176,521	35,463,949
Operating costs		(46,099,755)	(32,953,780)
GROSS PROFIT		4,076,766	2,510,169
Finance income		259,150	267,905
Discount on settlement of murabaha payable	15	-	1,271,347
Gain on disposal of property, plant and equipment		653,748	12,590
Other income	4	134,775	555,065
Foreign exchange (loss) gain		(7,519)	23,248
General and administrative expenses		(2,466,937)	(1,874,348)
Impairment of receivables and expenses relating to a terminated contract	21	-	(3,983,510)
Impairment of goodwill	7	-	(400,000)
Allowance for doubtful debts	9	(319,152)	(318,187)
Finance costs		(1,230,839)	(1,059,365)
PROFIT (LOSS) FOR THE YEAR BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (“KFAS”), NATIONAL LABOUR SUPPORT TAX (“NLST”) AND ZAKAT		1,099,992	(2,995,086)
Contribution to KFAS		(9,900)	-
NLST		(44,860)	-
Zakat		(17,944)	-
PROFIT (LOSS) FOR THE YEAR		1,027,288	(2,995,086)
		Fils	Fils
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	5	3.35	(10.63)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015 *KD*	*2014* *KD*
Profit (loss) for the year	1,027,288	(2,995,086)
Other comprehensive income:		
Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods		
Foreign currency translation adjustments	906,116	656,622
Total other comprehensive income for the year	906,116	656,622
Total comprehensive income (loss) for the year	1,933,404	(2,338,464)

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	2015 KD	2014 KD
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,509,730	3,818,834
Intangible assets	7	12,821,593	12,381,053
Long term receivables	8	2,556,293	4,342,346
		19,887,616	20,542,233
Current assets			
Inventories		5,924,535	1,393,688
Current portion of long term receivables	8	2,151,890	1,354,350
Accounts receivable and other assets	9	73,160,641	59,417,289
Cash and bank balances	10	4,647,038	8,106,978
		85,884,104	70,272,305
TOTAL ASSETS		105,771,720	90,814,538
EQUITY AND LIABILITIES			
Equity			
Share capital	11	30,700,000	30,700,000
Share premium		6,039,556	6,039,556
Treasury shares	12	(214,336)	(214,336)
Treasury shares reserve		22,313	22,313
Statutory reserve	13	654,098	544,099
Retained earnings		2,413,180	1,495,891
Foreign currency translation reserve		1,206,856	300,740
Total equity		40,821,667	38,888,263
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	14	7,198,439	1,039,437
Employees' end of service benefits	16	2,901,130	2,450,690
		10,099,569	3,490,127
Current liabilities			
Interest-bearing loans and borrowings	14	23,405,530	22,711,773
Accounts payable and other liabilities	17	31,444,954	25,724,375
		54,850,484	48,436,148
Total liabilities		64,950,053	51,926,275
TOTAL EQUITY AND LIABILITIES		105,771,720	90,814,538

Faisal Juma Khalfan Belhoul
Chairman

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit (loss) before contribution to KFAS, NLST and Zakat		1,099,992	(2,995,086)
Adjustments for:			
Depreciation	6	1,082,480	1,221,893
Amortisation	7	20,764	20,763
Impairment of goodwill		-	400,000
Impairment of receivables and expenses relating to a terminated contract		-	3,983,510
Discount on settlement of murabaha payable		-	(1,271,347)
Allowance for doubtful debts	9	319,152	318,187
Finance cost		1,230,839	1,059,365
Gain on sale of property, plant and equipment		(653,748)	(12,590)
Provision for end of service indemnity	16	705,594	467,929
Finance income		(259,150)	(267,905)
		3,545,923	2,924,719
Changes in operating assets and liabilities:			
Inventories		(4,530,847)	68,712
Accounts receivable and other assets		(13,944,082)	618,660
Accounts payable and other liabilities		5,647,875	(4,411,003)
Cash used in operations		(9,281,131)	(798,912)
Employees' end of service benefits paid	16	(254,971)	(181,579)
Net cash used in operating activities		(9,536,102)	(980,491)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(1,757,479)	(79,210)
Proceeds from sale of property, plant and equipment		653,893	17,025
Movement in restricted deposits with banks		1,074,877	97,558
Receipt of long term receivables (including interest)		1,378,990	3,010,645
Net cash from investing activities		1,350,281	3,046,018
FINANCING ACTIVITIES			
Proceeds from issuance of new shares		-	10,700,000
Transaction costs incurred on issuance of new shares		-	(76,452)
Net movement in interest-bearing loans and borrowings		6,550,240	(6,846,795)
Settlement of murabaha payable		-	(1,716,098)
Finance costs paid		(1,230,839)	(1,059,365)
Net cash from financing activities		5,319,401	1,001,290
Foreign currency translation adjustments		481,357	(565,263)
Net (decrease) increase in cash and cash equivalents		(2,385,063)	2,501,554
Cash and cash equivalents at beginning of the year		6,155,947	3,654,393
Cash and cash equivalents at end of the year	10	3,770,884	6,155,947

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Statutory reserve KD*	*Retained earnings KD*	*Foreign currency translation reserve KD*	*Total KD*
Balance at 1 January 2015	30,700,000	6,039,556	(214,336)	22,313	544,099	1,495,891	300,740	38,888,263
Profit for the year	-	-	-	-	-	1,027,288	-	1,027,288
Other comprehensive income for the year	-	-	-	-	-	-	906,116	906,116
Total comprehensive income for the year	-	-	-	-	-	1,027,288	906,116	1,933,404
Transfer to statutory reserve	-	-	-	-	109,999	(109,999)	-	-
Balance at 31 December 2015	30,700,000	6,039,556	(214,336)	22,313	654,098	2,413,180	1,206,856	40,821,667
Balance at 1 January 2014	20,000,000	6,039,556	(214,336)	22,313	544,099	4,567,429	(355,882)	30,603,179
Loss for the year	-	-	-	-	-	(2,995,086)	-	(2,995,086)
Other comprehensive income for the year	-	-	-	-	-	-	656,622	656,622
Total comprehensive (loss) income for the year	-	-	-	-	-	(2,995,086)	656,622	(2,338,464)
Issue of shares during the year (Note 11)	10,700,000	-	-	-	-	-	-	10,700,000
Transaction costs of issue of new shares	-	-	-	-	-	(76,452)	-	(76,452)
Balance at 31 December 2014	30,700,000	6,039,556	(214,336)	22,313	544,099	1,495,891	300,740	38,888,263

The attached notes 1 to 24 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

Mushrif Trading and Contracting Company K.S.C.P. (the "Parent Company") was incorporated in the State of Kuwait on 10 January 1968 as a limited liability company and was converted to a closed shareholding company on 1 January 2000. The Parent Company is listed on the Kuwait Stock Exchange.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 30 March 2016 and are subject to the approval of the General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The main activities of the Group are as follows:

- Construction activities and dealing in constructing materials.
- Ownership of properties and real estate necessary for performing the Company's activities within the limits approved by the law.
- Usage of surplus funds available for the Parent Company through portfolios managed by specialised companies and entities.

The major shareholders of the Parent Company are Gulf Consortium 2 L.L.C. and Gulf Consortium L.L.C.

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved by the shareholders of the Parent Company on 12May 2015.

The address of the Parent Company's registered office is at P.O. Box 32514, Rumaithya, Code No. 25556, State of Kuwait.

The new Companies Law No. 1 of 2016 issued on 24 January 2016 and published in the Official Gazette on 1 February 2016, cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012 and the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention.

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

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

2.2 BASIS OF CONSOLIDATION

Name of the subsidiaries	*Country of incorporation*	*Activities*	*Legal ownership*	
			2015	*2014*
Al Hamed General Transport L.L.C. (Al Hamed)	United Arab Emirates	Public Transportation	100% (100% letter of assignment)	100% (100% letter of assignment)
Cercon Civil Construction L.L.C. (Cercon)	United Arab Emirates	General Trading and Constructions	100% (51% letter of assignment)	100% (51% letter of assignment)

2.2 BASIS OF CONSOLIDATION (continued)

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses, at each reporting date, whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The reporting dates of the subsidiaries and the Parent Company are identical and in case of different reporting date of subsidiaries, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The subsidiaries' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. All intra-Group balances, transactions, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Losses within subsidiaries 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year except for the adoption of the following new standards, applicable to the Group and effective for the annual periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or financial position of the Group. They did however give rise to additional disclosures, as briefed below:

2.3 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations
The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in previous year, except for the adoption of the following new standards / amendments to IFRS effective as of 1 January 2015:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2015 and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Group has not applied the aggregation criteria in IFRS 8.12 and, thus, this amendment did not impact the Group's accounting policy.

The Group has presented the reconciliation of segment assets to total assets in previous years and continues to disclose the same in Note 27 in this year's consolidated financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of its decision making.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

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

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards issued is those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this Standard on the Group's consolidated financial statements, when adopted.

IFRS 15 Revenue from contracts with customers
IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the group and do not expect any significant impact on adoption of this standard.

Annual improvement 2012 – 2014 cycle which are effective for annual periods beginning on or after 1 January 2016 are not expected to have a material impact on the Group.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its consolidated financial position or performance.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest in joint ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as theGroup. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in joint ventures (continued)

im pairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. 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. Acquisition related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial 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. 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 consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 'Financial Instruments: Recognition and Measurement', is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
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 the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account the contractually defined terms of payments excluding discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Construction contracts
The Group principally operates fixed price contracts, if the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

Service revenue
Service revenue is recognised upon performance of services.

Finance income
Finance income is recognised as interest accrues using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Kuwait Foundation for the Advancement of Sciences (KFAS)
KFAS is calculated in accordance with the modified calculation based on the Ministry of Finance resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve and Zakat should be excluded from profit for the year, when determining the contribution.

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 adjusted profit for the year. As per the Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year to arrive at the adjusted profit.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat
Contribution to Zakat is calculated at 1% of the adjusted profit for the year in accordance with the Ministry of Finance resolution No. 58/2007. As per law, income from associates and subsidiaries, cash dividends received from companies listed in Kuwait Stock Exchange which are subjected to Zakat, have been deducted from the profit for the year, to arrive at the adjusted profit.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment in value. Such costs include the cost of replacing part of equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

Depreciation is provided on a straight line basis on all property, plant and equipment, other than projects in progress. The rates of depreciation are based upon the following estimated useful life of the assets as follows:

• Buildings	20 years
• Heavy vehicles and construction equipment	7 to 10 years
• Light equipment and tools	4 to 5 years
• Light vehicles	5 years
• Office furniture, fixtures and software	4 to 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Leasehold rights
The rights over leasehold land is amortised over the lease period of 10 to 24 years.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Inventories
Inventories are stated at the lower of cost or net realisable value. Costs are those expenses incurred in

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

bringing each product to its present location and condition, as follows:

Construction materials	- purchase cost on a weighted average basis
Work in progress	- cost of direct material and labour.

Net realisable value is the estimate of the selling price in the ordinary course of business, less any further costs expected to be incurred on completion and disposal.

Financial assets and financial liabilities

Financial assets
The Group classifies its financial assets as "Loans and receivables". The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of these financial instruments at initial recognition.

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 measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income.

The Group classifies its loans and receivables as "long term receivables", "accounts receivables and other assets" and "cash and cash equivalents" in the consolidated statement of financial position.

Accounts receivables and other assets
Accounts receivables and other assets are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of a part of or the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of cash flows statement, cash and cash equivalents represent cash in hand and bank balances, net of restricted deposits with banks.

Financial Liabilities
Financial liabilities are classified as "non-trading financial liabilities". The Group's non-trading financial liabilities are classified under "interest-bearing loans and borrowings", "murabaha payables" and "accounts payable and other liabilities".

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are carried on the consolidated statement of financial position at their principal amounts. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and other liabilities'.

Murabaha payable
Murabaha payable represent the amount payable on a deferred settlement basis for assets purchased under murabaha agreements. Murabaha payable are stated at gross amount of payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Financial Liabilities (continued)

Accounts payable and other liabilities
Liabilities are recognised for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

Derecognition of financial assets and financial liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 income.

Impairment and uncollectibility of financial assets
An assessment is made at reporting date to determine, whether there is objective evidence that a specific financial asset or group of financial assets may be impaired and, in case of other assets, whether there is an indication that a specific asset may be impaired. A financial asset or a group of financial assets are impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence or indication exists, any impairment loss is recognised in the consolidated statement of comprehensive income.

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for financial assets classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. Reversals in respect of financial assets classified as available for sale are recognised in other comprehensive income.

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

Fair values
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value measurement of financial instruments
Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including financial instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

The fair value of financial instruments carried at amortised cost, other than short-term in nature is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments. The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Values (continued)

Fair value measurement of financial instruments (continued)

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Gross amount due from/(to) customers for contract work
Gross amount due from/(to) customers for uncompleted contracts represents costs plus attributable profit to the extent that it is reasonably certain, less provision for any losses incurred or foreseen in bringing contracts to completion, and less amounts received or receivable as progress billings. For contracts where progress billings received and receivable exceed the costs plus attributable profit of work executed, the excess is included under liabilities. Costs comprise direct materials, direct labour and an appropriate allocation of overheads, including depreciation provided on property, plant and equipment and a proportion of administrative expenses.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate, where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. The Group recognises the estimated liability on all completed projects still under warranty at the reporting date. This provision is calculated based on service histories.

Employees' end of service benefits
The Group is liable under Kuwaiti Labour Law, to make payments to the employees for past employment benefits through a defined benefits plan. These amounts are paid to employees on a lump sum basis upon service termination. As for the employees in other countries, end of service indemnity is calculated as per the applicable laws of these countries. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

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 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. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issuance of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Assets including goodwill and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of he arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the
use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Revenue recognition
The Group has used the percentage of completion method to measure the delivery of fixed-price contracts. Revenue is generally recognised based on the services performed. The percentage of completion method requires the management to estimate the expected estimated cost to complete the contract as at the reporting date.

Impairment
At each reporting date management assesses whether there is any indication that inventories, receivables, intangible assets and property, plant and equipment may be impaired. The determination of impairment requires considerable judgment and involves evaluation factors including, industry and market conditions.

Contingent liabilities
Contingent liabilities are potential liabilities that arise from past events whose existence or otherwise will be confirmed through occurrence of future events. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Fair values of assets and liabilities acquired
The determination of the fair value of assets, liabilities and contingent liabilities as a result of business combination requires significant judgment.

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

Accounts receivable
The Group reviews its doubtful receivables periodically to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are based on assumptions about several factors involving varying degree of judgment and uncertainty.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful life of property, plant and equipment
The Group's management determines the estimated useful life and related depreciation charges for its property, plant and equipment. Management will increase the depreciation charge where the useful life are less than previously estimated life, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair values of assets and liabilities including intangibles
Considerable judgement by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

3 OPERATING REVENUE

	2015	*2014*
	KD	*KD*
Construction contract revenue	49,908,033	35,284,073
Service revenue	268,488	179,876
	50,176,521	35,463,949

4 OTHER INCOME

	2015	*2014*
	KD	*KD*
Technical construction services	-	88,795
Reversal of liabilities no longer payable	6,808	201,159
Income on write back of provision	75,854	73,063
Income arising from collection of insurance claims	4,942	34,840
Sale of scrap	-	7,335
Others	47,171	149,873
	134,775	555,065

5 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share amounts are calculated by dividing the profit (loss) for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding less weighted average number of treasury shares during the year, as follows:

	2015	2014
	KD	*KD*
Profit (loss)for the year	1,027,288	(2,995,086)
	Shares	*Shares*
Weighted average number of shares outstanding	307,000,000	282,082,192
Weighted average number of treasury shares	(290,000)	(290,000)
Weighted average number of shares outstanding (net of treasury shares)	306,710,000	281,792,192
	Fils	Fils
Basic and diluted earnings (loss) per share	3.35	(10.63)

There are no potential diluted shares outstanding as at the reporting date.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings KD	*Heavy vehicles and construction equipment KD*	*Light equipment and tools KD*	*Light vehicles KD*	*Office furniture, fixtures and software KD*	*Total KD*
Cost:						
At 1 January 2015	337,685	15,791,964	2,290,146	1,905,784	2,446,333	22,771,912
Additions	5,500	1,213,148	129,384	-	409,447	1,757,479
Disposals	-	(263,695)	(255,142)	(184,858)	(47,293)	(750,988)
Foreign currency translation adjustments	-	164,924	930	9,875	785	176,514
At 31 December 2015	**343,185**	**16,906,341**	**2,165,318**	**1,730,801**	**2,809,272**	**23,954,917**
Depreciation:						
At 1 January 2015	232,685	12,573,691	2,135,455	1,610,871	2,400,376	18,953,078
Charge for the year	19,219	857,388	80,399	89,539	35,935	1,082,480
Disposals	-	(263,551)	(255,142)	(183,008)	(49,142)	(750,843)
Foreign currency translation adjustments	-	148,875	930	9,875	792	160,472
At 31 December 2015	**251,904**	**13,316,403**	**1,961,642**	**1,527,277**	**2,387,961**	**19,445,187**
Net carrying amount:						
At 31 December 2015	**91,281**	**3,589,938**	**203,676**	**203,524**	**421,311**	**4,509,730**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings KD	*Heavy vehicles and construction equipment KD*	*Light equipment and tools KD*	*Light vehicles KD*	*Office furniture, fixtures and software KD*	*Total KD*
Cost:						
At 1 January 2014	337,685	15,623,330	2,259,223	1,927,958	2,443,000	22,591,196
Additions	-	22,735	32,790	1,850	21,835	79,210
Disposals	-	(22,301)	(2,800)	(34,077)	(19,003)	(78,181)
Foreign currency translation adjustments	-	168,200	933	10,053	501	179,687
At 31 December 2014	337,685	15,791,964	2,290,146	1,905,784	2,446,333	**22,771,912**
Depreciation:						
At 1 January 2015	213,555	11,456,569	2,058,285	1,541,569	2,380,121	17,650,099
Charge for the year	19,130	992,236	79,037	93,326	38,164	1,221,893
Disposals	-	(18,137)	(2,800)	(34,077)	(18,732)	(73,746)
Foreign currency translation adjustments	-	143,023	933	10,053	823	154,832
At 31 December 2014	232,685	12,573,691	2,135,455	1,610,871	2,400,376	**18,953,078**
Net carrying amount:						
At 31 December 2014	105,000	3,218,273	154,691	294,913	45,957	**3,818,834**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's buildings are constructed on a leasehold land. The lease period is for 5 years and ends on 14June 2020, with an option of renewal.

The depreciation is allocated to the operating costs and general and administrative expenses as follows:

	2015 *KD*	*2014* *KD*
Operating costs	925,390	1,069,272
General and administrative expenses	157,090	152,621
	1,082,480	1,221,893

7 INTANGIBLE ASSETS

	Goodwill *KD*	*Leasehold Rights* *KD*	*Total* *KD*
Cost:			
At 1 January 2015	12,245,408	345,204	12,590,612
Foreign currency translation adjustments	461,304	-	461,304
At 31 December 2015	12,706,712	345,204	13,051,916
Amortisation:			
At 1 January 2015	-	209,559	209,559
Charge for the year*	-	20,764	20,764
At 31 December 2015	-	230,323	230,323
Net carrying amount:			
At 31 December 2015	12,706,712	114,881	12,821,593

	Goodwill *KD*	*Leasehold Rights* *KD*	*Total* *KD*
Cost:			
At 1 January 2014	12,210,952	345,204	12,556,156
Impairment of Goodwill	(400,000)	-	(400,000)
Foreign currency translation adjustments	434,456	-	434,456
At 31 December 2014	12,245,408	345,204	12,590,612
Amortisation:			
At 1 January 2014	-	188,796	188,796
Charge for the year*	-	20,763	20,763
At 31 December 2014	-	209,559	209,559
Net carrying amount:			
At 31 December 2014	12,245,408	135,645	12,381,053

7 INTANGIBLE ASSETS (continued)

The amortisation charge is allocated to the operating costs and general and administrative expenses as follows:

	2015	*2014*
	KD	*KD*
Operating costs	16,219	16,219
General and administrative expenses	4,545	4,544
	20,764	20,763

Goodwill has arisen on the acquisition of Al Hamed and Cercon, the cash generating units (the "CGU").

In accordance with IAS 36 "Impairment of assets", the management of the Parent Company has performed an update to its impairment exercise for the goodwill balance amounting to KD12,706,712 (2014: KD12,245,408), considering the performance outlook and business operations of the cash generating unit (CGU) to assess whether the recoverable amounts of these entities cover its carrying amount. Based on the estimated cash flows, discounted back to their present value using a discount rate that reflects the risk profile, the management concluded that the goodwill is not subject to impairment as on31 December 2015 (31 December 2014: Impairment of KD400,000). The conclusion was reached on the basis of the forecasted cash flows in future years of the acquired entities which was approved by the senior management.

The recoverable amount of the CGU has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The discount rate used is 10.05% (2014:12.16%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3.45% (2014: 3.45%).

The calculation of value in use for the CGU is sensitive to the following assumptions:
- Revenue growth;
- Discount rate; and
- Projected growth rate used to extrapolate cash flows beyond the budget period.

Revenue Growth:
Revenue growth is based on average values achieved in the two years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rate:
Discount rate is calculated by using the Weighted Average Cost of Capital (WACC). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU.

Projected growth rate:
Assumptions are based on industry research.

Sensitivity to changes in assumptions
Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model does not materially affect the amount of goodwill using less favourable assumptions.

8 LONG TERM RECEIVABLES

	2015	*2014*
	KD	*KD*
Receivable on sale of a subsidiary	-	396,150
Other receivable	4,708,183	5,300,546
	4,708,183	5,696,696

	Due within one year	*Due within 1 to 3 years*	*Total*
	KD	*KD*	*KD*
At 31 December 2015	2,151,890	2,556,293	4,708,183
At 31 December 2014	1,354,350	4,342,346	5,696,696

Long term receivables represent amounts funded to Mushrif National Construction L.L.C. (MNC) of KD4,708,183 (31 December 2014: KD5,300,546) and the consideration for sale of investment in MNC by the Parent Company of KD Nil (31 December 2014: KD396,150). As a result of change in ownership of MNC with effect from 1 October 2010, MNC is no longer considered as a related party.

The amounts funded to MNC were originally repayable in seven equal half yearly instalments commencing from April 2011 and a final bullet payment in September 2014. The amounts funded were subject to interest at the rate of 8.5% - 12% per annum. Effective 1 April 2014, the interest rate has been reduced to 4% per annum.

During the year ended 31 December 2014, the repayment terms of the balance funded to MNC and consideration for sale of investments were amended. As per revised terms, these amounts would be recovered in instalments commencing from 30 December 2014 and ending on 31 December 2017. Accordingly the Group recorded the unwinding impact of the NPV adjustment of long term receivables amounting to KD41,785 (31 December 2014: net present value adjustment of KD100,054) in the consolidated statement of income.

As at 31 December, the analysis of long-term receivables is as follows:

	Total	*Neither past due nor impaired*
	KD	*KD*
2015	4,708,183	4,708,183
2014	5,696,696	5,696,696

The interest component of these receivables are stated under accounts receivable and other assets and are past due but not impaired (Note 9).

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2015 *KD*	*2014* *KD*
Accounts receivable – net (see note (a) below)	7,953,262	6,252,864
Amount due from customers for contract work – net (see note (b) below)	51,018,888	38,011,020
Retention receivable	7,360,670	8,685,056
Advances to subcontractors and suppliers	3,608,207	3,429,528
Due from related parties (Note 18) (see note (c) below)	138,838	170,749
Accrued interest on long term receivables	1,034,620	916,198
Other receivables and prepayments (see note (d) below)	2,046,156	1,951,874
	73,160,641	59,417,289

Accounts receivable and other assets include an amount of KD54,784,413 (2014: KD35,373,489) which is pledged against interest-bearing loans and borrowings granted by the financial institutions (Note 14).

a) Accounts receivable - net

	2015 *KD*	*2014* *KD*
Accounts receivable – gross	9,578,940	7,907,120
Allowance for doubtful debts	(1,625,678)	(1,654,256)
As at 31 December	7,953,262	6,252,864

As of 31 December 2015, accounts receivable amounting to KD1,625,678 (2014: KD1,654,256) were impaired and fully provided for. Movement in the allowance for impairment of receivables was as follows:

	2015 *KD*	*2014* *KD*
As at 1 January	1,654,256	1,577,971
Charge for the year	-	91,970
Receivable written off during the year	-	(2,570)
Provision written back during the year	(28,578)	(13,115)
As at 31 December	1,625,678	1,654,256

As at 31 December, the analysis of accounts receivables that were not impaired is as follows:

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

			Past due but not impaired		
	Total *KD*	*Neither past due nor im-paired* *KD*	*0 – 120 days* *KD*	*120- 365 days* *KD*	*> 365 days* *KD*
2015	7,953,262	1,989,305	3,726,276	1,609,697	627,984
2014	6,252,864	1,780,311	2,741,901	1,098,205	632,447

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over accounts receivable.

b) Amount due from customers for contract work

	2015 *KD*	*2014* *KD*
Contract cost to date plus attributable profit less reversals	219,723,011	180,708,112
Less: progress billings	(168,704,123)	(142,697,092)
	51,018,888	38,011,020

"Amount due from customers for contract work" represents the amount of work done but not yet billed to the customers. Accordingly, the year-end balance of amount due from customers for contract work is not considered due.

During the year, the Group has provided an amount of KD319,152 (2014: KD216,016) against certain long outstanding amount due from customers for contract work.

c) Due from related parties

During the year, the Group has provided an amount of KD Nil (2014: KD10,201) against due from related parties.

d) Other receivables and prepayments

Other receivables include an amount of KD880,000 (2014: KD880,000) which is under legal dispute. During 2009, the Parent Company had purchased certain mechanical pumps (pumps) from a supplier in Saudi Arabia and paid an advance amounting to KD880,000 for one of its projects. However due to certain delays in the project, the Parent Company did not take immediate possession of the pumps. Subsequently, the supplier sold these pumps to a third party without the Parent Company's consent. In 2010, the Parent Company filed a claim amounting to KD1.2 million including other related costs and expenses against the supplier with the Board of Grievances, Saudi Arabia (Board) on failure to deliver pumps and or repayment of advances.

During the year ended 31 December 2013, the claim was partially rejected by the Board i.e. although the Board stated that the pumps belonged to the Parent Company, the Board did not make the supplier liable for the non-delivery of the pumps or repayment of the advance. Consequently, the management of the Parent Company has appealed against the Board's statement, as they are confident that they have the ownership of the pumps and have the full right for the delivery of the pumps or repayment of advance. Accordingly, the management has not recognised any provision against this amount.

10 CASH AND CASH EQUIVALENTS

	2015	*2014*
	KD	*KD*
Cash and bank balances (including short term deposits*)	4,647,038	8,106,978
Less: restricted deposits with banks	(876,154)	(1,951,031)
Cash and cash equivalents	3,770,884	6,155,947

Restricted deposits with banks represent blocked funds for the purpose of availing credit facilities from banks.

* Cash and bank balances includes short term deposits amounting to KD Nil (2014: KD5,499,874) which carry an average rate of interest of Nil (2014: 1% - 2%) per annum.

11 SHARE CAPITAL, DIVIDENDS AND ANNUAL GENERAL ASSEMBLY

Authorised share capital consists of 400,000,000shares (31 December 2014: 400,000,000 shares).

Issued and paid-up capital consists of 307,000,000shares (31 December 2014: 307,000,000 shares) of 100 fils (31 December 2014: 100 fils) per share, which is fully paid in cash.

The Board of Directors of the Parent Company proposed not to distribute cash dividends or bonus shares for the year ended 31 December 2015.This proposal is subject to approval by the Shareholders' Annual General Assembly.

The Board of Directors of the Parent Company proposed not to distribute cash dividends or bonus shares for the year ended 31 December 2014, which was approved by the shareholders in the Annual General Meeting held on 12 May 2015.

On 26 March 2014, the Parent Company allotted 107,000,000 shares at par value of 100 fils per share amounting to KD10.7 million after obtaining the final approval from the shareholders and the regulators for the issuance of capital increase.

12 TREASURY SHARES

	2015	*2014*
Number of treasury shares (shares)	290,000	290,000
Percentage of issued shares	0.09%	0.09%
Market value (KD)	19,430	17,980
Cost of treasury shares	214,336	214,336
Weighted average market value per treasury share (fils)	59	95

The balance in the treasury share reserve amounting to KD22,313(2014: KD22,313) is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from the reserves throughout the holding period of these treasury shares.

13 RESERVES

(a) Statutory reserve
In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat and NLST has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for such dividend payment.

(b) Voluntary reserve
The Parent Company's Articles of Association require that 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration has to be transferred to a voluntary reserve subject to Board of Directors' approval. During the current year, the Board of Directors' has resolved not to make any transfer to voluntary reserve.

14 INTEREST-BEARING LOANS AND BORROWINGS

	2015	*2014*
	KD	*KD*
Current		
Notes payable	3,660,390	7,159,423
Interest-bearing loans *	17,175,616	14,382,086
Bank overdraft	2,569,524	1,170,264
Total current portion of interest-bearing loans and borrowings	23,405,530	22,711,773

	2015	*2014*
	KD	*KD*
Non-Current		
Interest-bearing loan *	7,198,439	1,039,437
Total interest-bearing loans and borrowings	30,603,969	23,751,210

* Interest bearing loans include loan from a shareholder ("lender") amounting to KD Nil (2014: KD1,822,682) and accrued interest amounting to KD327,302 (2014: KD6,464,171), denominated in USD as at 31 December 2015.

During the year ended 31 December 2014, management entered into a memorandum of understanding with the lender to cease charging interest on the remaining loan effective from 1 April 2014. As per the memorandum the outstanding interest-bearing loan from the lender was to be settled in the financial year ended 31 December 2015. As of the reporting date, the loan has been repaid in full while accrued interest remained partially unpaid and accordingly has been classified as current in the consolidated financial statements as at the reporting date.

The interest-bearing loans and borrowings (excluding the interest-bearing loan from the lender) carry floating interest rates. The weighted average effective interest rate of these interest-bearing loans and borrowings is 4.72% per annum (31 December 2014: 4.85% per annum).

14 INTEREST-BEARING LOANS AND BORROWINGS (continued)

Interest-bearing loans and borrowings (excluding the interest-bearing loan from the shareholder, notes payable and bank overdrafts) amounting to KD24,046,753(31 December 2014: KD7,134,670) are secured by part of the amounts due in respect of construction contracts and retentions receivable (Note 9).

Interest-bearing loans and borrowings are denominated in the following currencies:

	2015	*2014*
	KD	*KD*
Kuwaiti Dinars	30,276,667	15,464,357
US Dollars	327,302	8,286,853
	30,603,969	23,751,210

15 MURABAHA PAYABLE

During the year ended 31 December 2014, the Parent Company settled the outstanding Murabaha payable to a related party ("financier") amounting to KD2,987,445 by a cash payment of KD1,716,098, therefore availing a discount on settlement amounting to KD1,271,347. This discount has been recognized as a gain in the consolidated statement of income.

16 EMPLOYEES' END OF SERVICE BENEFITS

	2015	*2014*
	KD	*KD*
As at 1 January	2,450,690	2,174,920
Provided during the year*	705,594	467,929
End of service benefits paid	(254,971)	(181,579)
Foreign currency translation adjustments	(183)	(10,580)
As at 31 December	2,901,130	2,450,690

*The amount is allocated to the operating costs and general and administrative expenses as KD533,286 (2014: KD377,297) and KD172,308 (2014: KD90,632) respectively.

17 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015	*2014*
	KD	*KD*
Trade accounts payable	9,071,801	4,861,232
Retention payables	4,272,452	4,009,934
Advances from customers	7,976,123	8,458,545
Accrued expenses	8,605,542	7,009,462
Due to related parties (Note 18)	91,105	126,601
Provision for foreseeable losses (see note (a) below)	13,142	12,679
Staff payables	163,252	148,972
Other payables	1,251,537	1,096,950
	31,444,954	25,724,375

a) Provision for foreseeable losses

	2015	*2014*
	KD	*KD*
As at 1 January	12,679	849,494
Charge for the year*	-	-
Amount adjusted against related project costs incurred during the year	-	(836,815)
Foreign currency translation adjustments	463	-
As at 31 December	13,142	12,679

* Provision for foreseeable losses, net of reversal is recognised as part of the operating costs.

18 RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in the consolidated statement of income during the year are as follows:

	Major shareholder	*Other related parties*	*2015 Total*	*2014 Total*
	KD	*KD*	*KD*	*KD*
Finance costs	-	-	-	286,808
Allowance for doubtful debts (Note 9)	-	-	-	10,201
Discount on settlement of Murabaha payable (Note 15)	-	-	-	1,271,347

18 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	Major shareholder KD	*Other related parties KD*	*2015 Total KD*	*2014 Total KD*
Accounts receivable and other assets (Note 9)*	-	138,838	138,838	170,749
Interest bearing loans (Note 14)	327,302	-	327,302	8,286,853
Accounts payable and other liabilities (Note 17)*	-	91,105	91,105	126,601

*Amounts due from/to related parties are interest free and are receivable or payable on demand.

Compensation of key management personnel
The remuneration of executive directors and other members of key management during the year is as follows:

	2015 KD	*2014 KD*
Salaries and other short term benefits	321,438	214,323
Employees' end of service benefits	21,794	16,200
	343,232	230,523

19 SEGMENT INFORMATION

For management purposes, the Group is organised into four main geographical segments based on internal reporting provided to the chief operating decision maker which are as follows:

- First segment is Kuwait and is represented by the Parent Company (Kuwait operations), Foundmar for Foundation Marine Work and Contracting Company W.L.L., CRT General Trading and Contracting W.L.L., Oil Tech General Trading and Contracting W.L.L. and a joint venture.
- Second segment is Qatar and is represented by the Qatar branch of the Parent Company.
- Third segment is United Arab Emirates and is represented by AL Hamed General Transport L.L.C. and Cercon Civil Construction L.L.C.
- Fourth segment represents other subsidiaries, joint ventures and branches of the Parent Company.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables present the revenue and results of the Group's operating segments for the year ended 31 December 2015 and 31December 2014, respectively:

19 SEGMENT INFORMATION (continued)

For the year ended 31 December 2015

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Segment revenues	**45,392,357**	**142,539**	**4,641,625**	**-**	**50,176,521**
Segment results	**752,813**	**(720,904)**	**1,110,410**	**(42,327)**	**1,099,992**
Unallocated expenses, taxation					**(72,704)**
Profit for the year					**1,027,288**

For the year ended 31 December 2014

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Segment revenues	31,247,632	36,318	4,179,999	-	35,463,949
Segment results	2,233,115	(5,666,347)	472,578	(34,432)	(2,995,086)
Loss for the year					(2,995,086)

Year ended 31 December 2015

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Other segmental information:					
Finance costs	(1,197,420)	(33,419)	-	-	(1,230,839)
Depreciation	(792,382)	(343)	(289,715)	(40)	(1,082,480)
Amortisation	(20,764)	-	-	-	(20,764)
Property, plant and equipment	4,201,606	-	308,022	102	4,509,730
Intangible assets	12,821,593	-	-	-	12,821,593

Year ended 31 December 2014

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Other segmental information:					
Finance costs	(751,779)	(20,778)	(286,808)	-	(1,059,365)
Depreciation	(868,755)	(4,492)	(348,611)	(35)	(1,221,893)
Amortisation	(20,763)	-	-	-	(20,763)
Discount on settlement of Murabaha payable	1,271,347	-	-	-	1,271,347
Impairment of receivables and expenses relating to a terminated contract	-	(3,983,510)	-	-	(3,983,510)
Property, plant and equipment	3,236,509	479	581,696	150	3,818,834
Intangible assets	12,381,053	-	-	-	12,381,053

19 SEGMENT INFORMATION (continued)

The following table presents the segment assets and segment liabilities of the Group's operating segments:

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Segment assets					
At 31 December 2015	**91,896,291**	**3,539,920**	**10,192,689**	**142,820**	**105,771,720**
At 31 December 2014	75,488,537	3,896,580	11,247,776	181,645	90, 814,538

	Kuwait	*Qatar*	*United Arab Emirates*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Segment liabilities					
At 31 December 2015	**63,936,090**	**387,760**	**498,941**	**127,262**	**64,950,053**
At 31 December 2014	42,810,425	549,006	8,429,424	137,420	51,926,275

20 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets
An amount of KD427,080(2014: KD427,080) was approved by the Public Authority for Assessment of Compensation for Damages resulting from Iraqi aggression. As at the reporting date, an amount of KD304,514 (2014: KD304,514) was received resulting in an outstanding amount of KD122,566 (2014: KD122,566).

Contingent liabilities
In the ordinary course of business, the Group has credit-related commitments which include commitments to extend credit, standby letters of credit and guarantees amounting to KD77,159,766(2014: KD54,759,189) as of31 December 2015.

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

	Less than 1 month	***Less than 3 months***	***3 to 12 Months***	***1 to 5 years***	***Total***
2015					
Letters of guarantee	**500,000**	**4,867,338**	**15,797,865**	**42,438,316**	**63,603,519**
Letter of credit	**549,739**	**3,458,037**	**9,548,471**	**-**	**13,556,247**
Total	**1,049,739**	**8,325,375**	**25,346,336**	**42,438,316**	**77,159,766**

	Less than 1 month	*Less than 3 months*	*3 to 12 Months*	*1 to 5 years*	*Total*
2014					
Letters of guarantee	2,571,551	9,937,001	9,173,514	29,230,583	50,912,649
Letter of credit	326,968	2,347,533	848,039	324,000	3,846,540
Total	2,898,519	12,284,534	10,021,553	29,554,583	54,759,189

20 CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

The Parent Company has given corporate guarantees on behalf of Mushrif National Construction L.L.C. (MNC) amounting to KD1,748,514 as of 31 December 2015 (2014: KD2,164,344) with a maturity of one to five years.

The Group expects that none of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Group is also involved in various claims and legal proceedings including employee compensation and contractor disputes. The legal counsel of the Group believes that such claims will not have a material adverse effect on the consolidated financial statements.

21 TERMINATION OF CONTRACTS

On 17 March 2014, a favourable ruling was awarded to the Group by the ICC's International Court of Arbitration (the 'Arbitration') in relation to a claim against a main contractor (the 'customer') for a contract terminated before completion. The Arbitration ordered the customer to pay the Group an amount equivalent to KD11.6 million. The Group received the awarded amount of KD11.6 million from the customer on 3 April 2014. Accordingly, during the year ended 31 December 2014, the management expensed the difference between the amount awarded and the amount recorded in the books of the Group, amounting to KD3.9 million, under impairment of receivables relating to a terminated contract. There is no amount due from the customer in respect of the terminated contract as at the reporting date (31 December 2014: KD Nil).

22 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group's principal financial liabilities comprise interest-bearing loans and borrowings, murabaha payables, accounts payable and financial guarantees. The main purpose of these financial liabilities is to raise finance for the Group's operations and provide guarantees to support its operations. The Group has long term receivables, accounts receivable and bank balance that arrive directly from its operations.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

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. Credit risk arises from cash and cash equivalents, long term receivables, accounts receivables and credit exposures to construction customers.

22 RISK MANAGEMENT (continued)

Credit risk (continued)

The Group assesses the credit quality of the customers, taking into account financial position and past experiences. In addition, the credit exposures are monitored on an ongoing basis. Credit risk with respect to receivables is limited as the Group's major contract owners are government bodies and other credit worthy entities.

The Group seeks to limit its credit risk with respect to cash and cash equivalents by only dealing with reputable financial institutions. With respect to credit risk arising from the other financial assets of the Group including long term receivables, accounts receivables and credit exposures to construction customers, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of any collateral and other credit enhancements i.e. credit risk mitigation except for financial guarantees (Note 20).

	2015	*2014*
	KD	*KD*
Long term receivables	4,708,183	5,696,696
Accounts receivables	7,953,262	6,252,864
Retention receivable	7,360,670	8,685,056
Due from related parties	138,838	170,749
Accrued interest on long term receivables	1,034,620	916,198
Other receivables (excluding prepayments)	1,845,811	1,818,602
Bank balances	4,613,037	8,080,214
Total	27,654,421	31,620,379

The Group evaluates the concentration of risk with respect to accounts receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. The Group's largest customers are sovereign entities.

Collateral and other credit enhancements
The amount and type of collateral are based on the contractual arrangements with the lenders. The main type of collateral accepted includes assignment of receivables and pledge of shares, which are only against long term receivables. Management monitors the collaterals on an ongoing basis in accordance with the underlying agreement with the lenders.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and short term deposits. To manage this risk, the Group periodically assesses the financial viability of its customers and ensures that adequate funding facilities are available from its lenders.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

22 RISK MANAGEMENT (continued)

Financial Liabilities	**On demand**	***Less than 1 month***	***Less than 3 months***	***3 to 12 Months***	***1 to 5 years***	***Total***
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
2015						
Interest- bearing loans and borrowings	**2,569,524**	**1,033,528**	**6,202,704**	**14,379,748**	**7,594,023**	**31,779,527**
Accounts payable and accruals*	**91,105**	**12,111,855**	**5,639,915**	**5,625,954**	**2,901,130**	**26,369,959**
Total financial liabilities	**2,660,629**	**13,145,383**	**11,842,619**	**20,005,702**	**10,495,153**	**58,149,486**

Financial Liabilities	On demand	*Less than 1 month*	*Less than 3 months*	*3 to 12 Months*	*1 to 5 years*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
2014						
Interest- bearing loans and borrowings	1,170,264	1,258,360	2,962,346	17,010,737	1,697,668	24,099,375
Accounts payable and accruals*	126,601	8,732,232	3,308,162	5,098,835	2,450,690	19,716,520
Total financial liabilities	1,296,865	9,990,592	6,270,508	22,109,572	4,148,358	43,815,895

*Accounts payable and other liabilities exclude advances from customers.

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates and foreign exchange rates. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industrial concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by the finance department of the Parent Company. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The interest rates are disclosed in Note 14 and Note 15.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value risk. As of 31 December 2015, the Group does not have borrowings from banks with fixed interest rate, accordingly the Group is not exposed to fair value risk arising from changes in interest rates.

The Group's manages its interest rate risk by availing competitive credit facilities from the local financial institutions and constantly monitoring interest rate fluctuations.

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

22 RISK MANAGEMENT (continued)

Market risk (continued)

	100 basis points movement *Effect on profit(loss) before KFAS, NLST and Zakat*	
	2015	*2014*
	KD	*KD*
Kuwaiti Dinars	14,191	29,951

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit before contribution to KFAS, NLST and Zakat for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2015. There is no impact on other comprehensive income.

Foreign currency risk
Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the Kuwaiti Dinar.

The Group operates regionally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Qatari Riyal and UAE Dirham.

Foreign exchange risk arises from future commercial transactions on recognised assets and liabilities as of the reporting date.

The Group has certain balances in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through monitoring fluctuations of foreign currencies on an ongoing basis. The Group is reducing its exposure to such currency fluctuations by hedging future needs of currency for future periods when this is required.

The table below indicates the Group's foreign currency exposure at 31 December as a result of its monetary assets and monetary liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of income (due to the fair value of currency sensitive monetary assets and monetary liabilities).

The effect on profit before contribution to KFAS,NLST and Zakat (due to change in the fair value of monetary assets and monetary liabilities) and on other comprehensive income, as a result of changes in major currency rates, with all other variables held constant is shown below:

	Change in currency rate by (+/-) 5 %			
	Effect on other comprehensive income (+/-)		*Effect on profit before KFAS, NLST and Zakat (+/-)*	
	2015	2014	2015	2014
	KD	*KD*	*KD*	*KD*
US Dollar	-	(414,343)	4,721	10,772
Qatari Riyal	157,608	167,379	15,509	-
UAE Dirham	485,630	554,616	638,322	612,271
Others	-	-	11,748	922

23 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors its capital risk management through gearing ratio, which is net debt divided by total capital. The Group includes within net debt, interest-bearing loans and borrowings and murabaha payable less cash and cash equivalents.

	2015 *KD*	2014 *KD*
Interest-bearing loans and borrowings (Note 14)	30,603,969	23,751,210
	30,603,969	23,751,210
Less: cash and cash equivalents (Note 10)	(3,770,884)	(6,155,947)
Net debt	26,833,085	17,595,263
Equity	40,821,667	38,888,263
Gearing ratio	0.66	0.45

24 FAIR VALUE MEASUREMENT

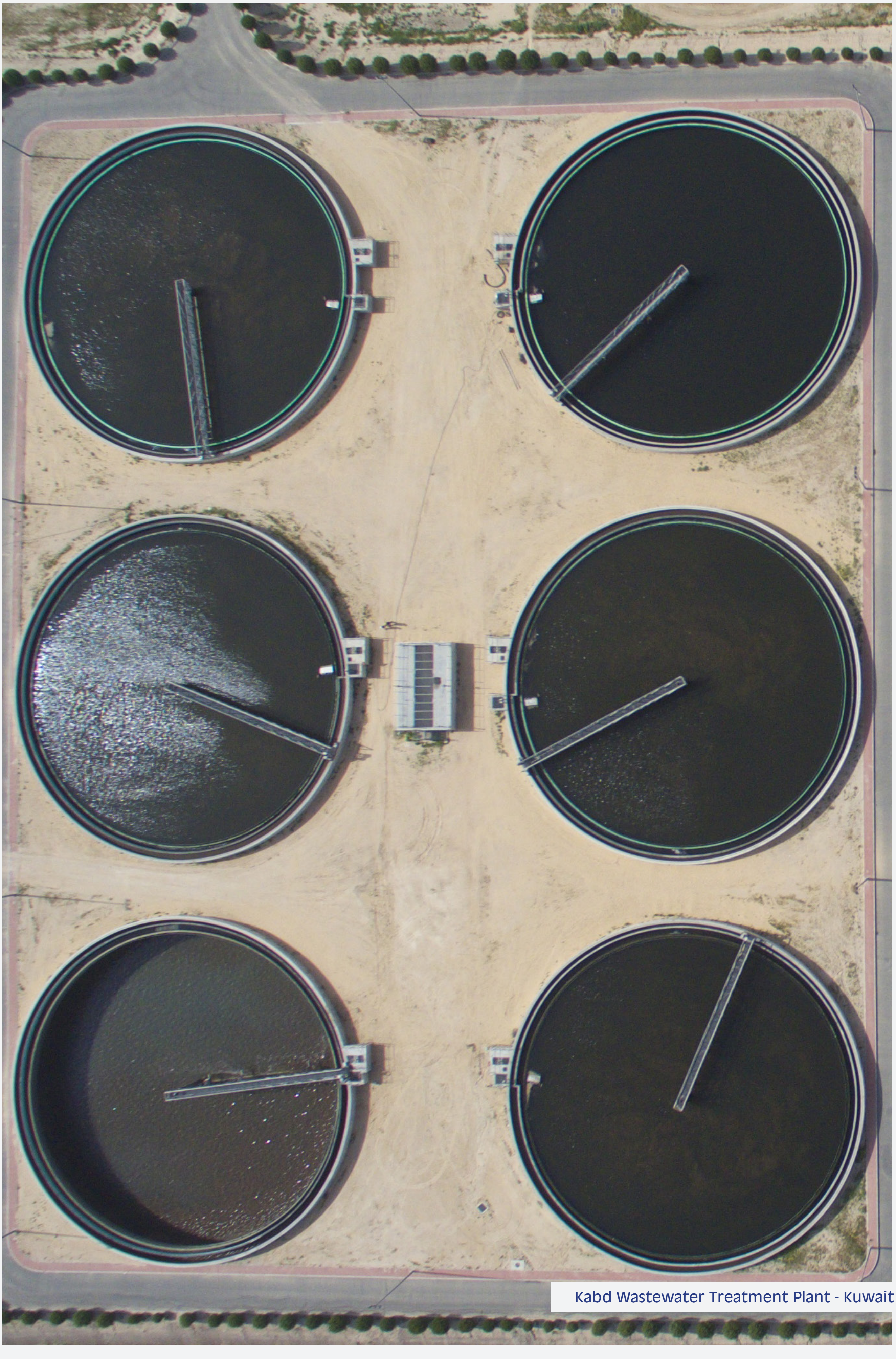
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Financial instruments:
Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Note 2: Significant Accounting Policies.

For other financial assets and financial liabilities, the carrying value is not significantly different from their fair values as at the reporting date.



Kabd Wastewater Treatment Plant - Kuwait