METAL AND RECYCLING COMPANY K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH
INDEPENDENT AUDITORS' REPORT

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AND ITS SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

To
The Shareholders of Metal and Recycling Company - K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Metal and Recycling Company - K.S.C. (Public) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

- Note (5 – A) regarding amounts receivable related to a project for Kuwait Oil Company and the related claim, since the company have provided full provision against this balances
- Note (7) regarding accounting for investment in an associate based on financial statements prepared by management.
- Note (26) regarding right of utilization for a land held by an associate and the parent company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Valuation of Investment Properties
The valuation of the investment property is important to our audit as it represents a significant judgment area and an important part of the total assets of the Group. The valuation of the investment property is highly dependent on estimates. We therefore identified the valuation of investment property as a significant risk. The Group policy is that property valuations are performed by licensed valuers at least once a year. These valuations are amongst others based on assumptions, such as estimated rental revenues, discount rates, occupancy rates, market knowledge, developers risk and historical transactions. In estimating the fair value of investment properties, valuers had used the valuation techniques i.e. discounted cash flow method and sales comparison, and had considered the nature and usage of the investment properties. We reviewed the valuation reports from the licensed valuers. We further focused on the adequacy of the disclosures on the valuation of investment properties. Disclosures of this item are included in note 8 to the consolidated financial statements.

Existence and collectability of trade receivables
Trade receivable balances were significant to the Group's total assets of the consolidated statement of financial position and is therefore a key audit matter. The collectability of trade receivables is a key element of Group's working capital management, which is managed on an ongoing basis by management. Group management supports in setting credit limits for customers and approve such limits above certain thresholds where applicable.

We performed audit procedures on existence of trade receivables, which include but are not limited to control testing on sales transactions and tracing back to supporting documents, sending trade receivable confirmations, subsequent collections. Assessing the valuation of trade receivables requires judgement and we have reviewed the assumptions used to calculate the trade receivables impairment amount, notably through detailed analyses of ageing of receivables, assessment of significant overdue individual trade receivables and assessing specific local risks, combined with legal documentation, where needed. Disclosures of this item are included in note 5 to the consolidated financial statements.

Other Information
Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended December 31, 2016, that might have had a material effect on the business or financial position of the Parent Company.

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Licence No. 72-A
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Alwaha Auditing Office

Dr. Shuaib A. Shuaib
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State of Kuwait
March 29, 2017

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2016	2015
Current assets:			
Cash and cash equivalents	3	2,957,189	3,034,546
Time deposits		484,848	185,000
Murabaha investments	4	510,000	1,910,000
Accounts receivable and other debit balances	5	6,495,167	5,921,080
Inventories	6	1,588,474	1,005,546
Total current assets		12,035,678	12,056,172
Non-current assets:			
Financial assets available for sale		183,495	263,563
Investment in an associate	7	4,921,172	4,909,890
Investment properties	8	2,605,000	2,755,500
Property, plant and equipment	9	2,074,482	2,428,231
Goodwill		361,113	313,615
Total non-current assets		10,145,262	10,670,799
Total assets		22,180,940	22,726,971
LIABILITIES AND EQUITY			
Current liabilities:			
Due to banks	10	1,844	1,208,600
Term loans	11	800,000	800,000
Accounts payable and other credit balances	12	2,556,934	2,238,994
Finance lease payables	13	1,730,000	1,730,000
Total current liabilities		5,088,778	5,977,594
Non-current liabilities:			
Provision for end of service indemnity		456,157	419,293
Total non - current liabilities		456,157	419,293
Total liabilities		5,544,935	6,396,887
Equity:			
Capital	14	8,255,650	8,255,650
Share premium	25	5,089,036	11,690,245
Statutory reserve	15	1,511,731	1,475,763
Voluntary reserve	16	487,860	487,860
Treasury shares	17	(1,056,623)	(1,056,623)
Foreign currency translation adjustments		11,958	11,958
Effect of changes in subsidiary's equity		(86,191)	(86,191)
Retained earnings (accumulated losses)		292,722	(6,601,209)
Equity attributable to Parent Company's shareholders		14,506,143	14,177,453
Non-controlling interests		2,129,862	2,152,631
Total equity		16,636,005	16,330,084
Total liabilities and equity		22,180,940	22,726,971

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

Mosaed Ibrahim Suleiman Al - Holy
Chairman

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts are in Kuwaiti Dinars)

	Note	2016	2015
Revenues:			
Net sales		5,670,139	6,212,652
Service revenue	18	6,462,505	5,092,294
		12,132,644	11,304,946
Costs:			
Cost of sales		3,719,328	4,958,049
Service cost	18	5,151,389	4,195,177
		8,870,717	9,153,226
Gross profit		3,261,927	2,151,720
Expenses and charges:			
Staff cost		975,292	1,053,107
General and administrative expenses	19	1,098,312	1,115,460
Selling and marketing expenses		28,833	33,807
Depreciation and amortization	9	437,145	453,026
Provision for doubtful debts	5 – b	520,552	1,292,524
Provision for damaged and slow moving inventory	6 – a	-	650,000
Provision for damaged and slow moving inventory no longer required	6 – a	(268,522)	-
Impairment loss on property, plant and equipment		-	130,457
Total expenses and charges		2,791,612	4,728,381
Profit (loss) from operations		470,315	(2,576,661)
Share of results from an associate	7	11,282	(92,804)
Impairment loss on financial assets available for sale		(80,068)	-
Murabaha income		7,834	23,794
Interest income		25,818	15,826
Foreign exchange (loss) gain		(8,477)	7,680
Finance charges		(204,412)	(198,731)
Gain on sale of property, plant and equipment		13,790	32,400
Changes in fair value of investment properties	8	(50,500)	23,214
Other income	20	425,598	313,736
Profit (loss) for the year before contribution to National Labor Support Tax and Zakat		611,180	(2,451,546)
Contribution to KFAS		(3,237)	
Contribution to NLST		(19,825)	-
Contribution to Zakat		(7,930)	-
Net profit (loss) for the year		580,188	(2,451,546)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		580,188	(2,451,546)
Attributable to:			
Shareholders of the Parent Company		328,690	(2,629,296)
Non-controlling interests		251,498	177,750
Net profit (loss) for the year		580,188	(2,451,546)
Earnings (loss) per share attributable to shareholders of the Parent Company (fils)	21	4.40	(35.16)

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders										
	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Foreign currency translation adjustments	Effect of change in subsidiary's equity	(Accumulated losses) retained earnings	Subtotal	Non-controlling interests	Total
Balance as at January 1, 2015	8,255,650	11,690,245	1,475,763	487,860	(1,056,623)	11,958	(86,191)	(3,971,913)	16,806,749	2,033,780	18,840,529
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(2,629,296)	(2,629,296)	177,750	(2,451,546)
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(58,899)	(58,899)
Balance as of December 31, 2015	8,255,650	11,690,245	1,475,763	487,860	(1,056,623)	11,958	(86,191)	(6,601,209)	14,177,453	2,152,631	16,330,084
Transfer from share premium to Accumulated Losses (Note 25)	-	(6,601,209)	-	-	-	-	-	6,601,209	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	328,690	328,690	251,498	580,188
Transfer to statutory reserve	-	-	35,968	-	-	-	-	(35,968)	-	-	-
The effect of movement in non-controlling interest in subsidiary	-	-	-	-	-	-	-	-	-	37,234	37,234
Cash dividends to non - controlling interest	-	-	-	-	-	-	-	-	-	(311,501)	(311,501)
Balance as of December 31, 2016	8,255,650	5,089,036	1,511,731	487,860	(1,056,623)	11,958	(86,191)	292,722	14,506,143	2,129,862	16,636,005

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts are in Kuwaiti Dinars)

	2016	2015
Cash flows from operating activities:		
Profit (loss) of the year before contribution to KFAS, NLST and Zakat	611,180	(2,451,546)
Adjustments for:		
Depreciation and amortization	692,693	755,498
Provision for doubtful debts	520,552	1,292,524
Provision for damaged and slow moving inventory	-	650,000
Provision for damaged and slow moving inventory no longer required	(268,522)	-
Impairment loss on financial assets available for sale	80,068	-
Impairment loss on property, plant and equipment	-	130,457
Share of results from an associate	(11,282)	92,804
Murabaha income	(7,834)	(23,794)
Interest income	(25,818)	(15,826)
Finance charges	204,412	198,731
Gain on sale of property, plant and equipment	(13,790)	(32,400)
Changes in fair value of investment properties	50,500	(23,214)
Provision for end of service indemnity	130,201	210,550
	1,962,360	783,784
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(1,142,137)	(96,601)
Inventories	(314,406)	(41,042)
Accounts payable and other credit balances	286,948	819,003
Cash flows generated from operations	792,765	1,465,144
Payment for end of service indemnity	(93,337)	(168,512)
Net cash flows generated from operating activities	699,428	1,296,632
Cash flows from investing activities:		
Net movement on term deposits	(299,848)	252,409
Net movement on investment properties	100,000	(1,105,500)
Net movement on Murabaha investments	1,400,000	-
Purchase of property, plant and equipment	(338,944)	(262,303)
Proceeds from sale of property, plant and equipment	13,790	32,400
Murabaha income received	7,834	23,794
Interest income received	25,818	15,826
Net cash flows generated from (used in) investing activities	908,650	(1,043,374)
Cash flows from financing activities:		
Net movement on finance lease payables	-	770,000
Net movement on due to banks	(1,206,756)	(133,870)
Net movement on term loans	-	70,000
Dividends paid to non - controlling interests	(274,267)	-
Finance charges paid	(204,412)	(198,731)
Net cash flows (used in) generated from financing activities	(1,685,435)	507,399
Net (decrease) increase in cash and cash equivalents	(77,357)	760,657
Cash and cash equivalents at beginning of the year	3,034,546	2,273,889
Cash and cash equivalents at end of the year	2,957,189	3,034,546

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Metal and Recycling K.S.C. (Public) (the "Parent Company") is a Kuwaiti shareholding company (Public) registered in the State of Kuwait, and was incorporated based on Memorandum of Incorporation Ref. No. 113 / Volume 17 dated June 10, 1987 and its subsequent amendments, the latest of which was notarized in the commercial registration under Ref. No. 551 dated July 11, 2013. The Parent Company is also listed on the Kuwait Stock Exchange.

The main activities of the Parent Company are as follows:

- Purchase and sale of used and scrap machinery and vehicles and their spare parts and all kinds of metals and their derivatives as well as representing specialized companies in such activities.
- Purchase and sale of the scrap of houses, industrial and commercial projects, including household tools, machinery, metal construction and other local scrap.
- Shredding, classifying; storing and selling waste and scrap inside and outside Kuwait.
- Importing machinery and materials necessary for recycling, shredding and storing scrap.
- Carrying out all trade, export and production relating to the company's objectives inside and outside Kuwait.
- Establishing complementary industries to the trade and production of scrap.
- Management and development of areas of sale, purchase, production, and manufacture scrap and used materials and ancillary industries inside and outside State of Kuwait.
- Carrying out all demolishing and removal works for construction and representing companies in such field.
- Utilization of the company's surplus funds by investing in portfolios managed by specialized companies.
- Holding and managing auctions related to the objectives of the company locally and internationally and representing companies in such field.
- Developing, preparing, establishing, managing and operating industrial and professional areas.
- Incorporation and partial ownership of industrial companies and industrial management companies inside and outside State of Kuwait.
- Collection, transportation and utilization of trash waste, garbage and wreckage inside and outside State of Kuwait.
- Undertaking all kind of cleaning contracts and commitment for all agencies inside and outside State of Kuwait.
- Undertaking all kinds of services aiming at cleaning, developing and protecting the environment against pollution inside and outside State of Kuwait.
- Establishing, managing or maintaining all drainage and dumping centers and trading in the resulting materials inside and outside State of Kuwait.
- Establishing industries for recycling environmental waste, garbage and wreckage inside and outside Kuwait (with approval of the Public Authority for Industry).

The address of the Parent Company's registered office is P.O. Box 4520, Safat 13045, State of Kuwait.

As of December 31, 2016, the Group has employed 2,090 employees (December 31, 2015 – 1,817 employees).

The Parent Company is a subsidiary of Agility for Public Warehousing Company K.S.C.(Public) (the "Ultimate Parent Company") listed in the Kuwait Stock Exchange.

The new Companies Law No. 1 of 2016 was issued on January 24, 2016 and it was published in the Official Gazette on February 1, 2016, which replaced the Companies Law No 25 of 2012 and its amendments. According to Article No. 5, the new Law will be effective retrospectively from November 26, 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on July 12, 2016 and was published in the Official Gazette on July 17, 2016 which cancelled the Executive Regulations of Law No. 25 of 2012. The adoption of the new Companies Law and its executive regulations is not expected to have any effect on the reporting entity.

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on March 29, 2017. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for investment properties that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (y).

Standards and Interpretations issued and effective

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2016:

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

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

Amendments to IAS 27 – Equity method in separate financial statements

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

Amendments to IAS 1 – Disclosure Initiative

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

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

Annual Improvements to IFRS – 2012 – 2014 Cycle:

Amendments to IFRS 7 – Financial Instruments: Disclosures
The amendments to this standard are effective for annual periods beginning on or after 1 January 2016. They clarify that for servicing agreements, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context, and adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. Another amendment to IFRS 7 clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim periods, unless required by IAS 34.

This amendment is not expected to have any material impact on the consolidated financial statements.

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

Amendment to IAS 7 – Disclosure Initiative
The amendment to this standard which is effective prospectively for annual periods beginning on or after 1 January 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes, early application of this amendment is permitted. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

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

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

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

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

IFRS 16 - Leases

This standard will be effective for annual periods beginning on or after January 1, 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

b) Principles of consolidation:

The consolidated financial statements incorporate the financial statements of the Parent company and the following subsidiaries (together the "Group"):

	Country of incorporation	Principal activities	Percentage of holding %	
			2016	2015
Metal and Recycling Company – J.W.L.L. Jordan (a)	The Hashemite Kingdom of Jordan	Trading of scrap material	99	99
Al Maaden Al Wataniya General Trading & Contracting Company – W.L.L. (a)	State of Kuwait	General trading and contracting	99	99
Al Maaden Al Omomiyah General Trading & Contracting Company – W.L.L. (a)	State of Kuwait	General trading and contracting	99	99
Metal Holding Company – K.S.C. (Public) (a)	State of Kuwait	General trading and contracting	99	99
National Oil Company – Asim Khatieb and Partner - W.L.L. (a)	State of Kuwait	Production of grease , used oil refining and producing mineral grease	70	70
Silver Ocean Company - Ali Hussain and Partners - W.L.L. (b)	State of Kuwait	General trading and contracting	60	60

(a) The 1% remaining shares owned by a related party, the parent company is the beneficial owner of this.
(b) During December 31, 2015, the Parent Company acquired 60% of Silver Ocean Company – Ali Hussain and Partners. - W.L.L. The Parent Company had revalued the assets and liabilities of the subsidiary during the current year. The fair value of identifiable net assets, liabilities during the year and goodwill resulting from acquisition of the subsidiary amounting to KD 47,498.

The movement in goodwill during the year ended December 31, 2016 is as follows:

	Total
As at 1 January 2016	313,615
Additions during the year	47,498
As at 31 December 2016	361,113

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee.
- has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. 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 interest;
- Derecognises the cumulative translation differences, recorded in equity;
- 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 profit or loss or retained earnings as appropriate.

c) Financial instruments

The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, term deposits, murabaha investments, receivables, financial assets available for sale, due to banks, term loans, finance lease payable and other payables.

- **Financial assets**

1) Cash and cash equivalents:
Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2) Accounts receivable:
Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

3) Murabaha investment
Murabaha investment represents the amounts due to receive for financed assets for others on deferred basis as per Murabaha investment agreements. Murabaha balances are reported with full debit balances after deducting finance income amounts pertaining to future periods. Those finance income balances are amortized on a time apportionment basis using effective interest method.

4) Financial investments:

Initial recognition and measurement
The Group classifies financial investments that fall within the scope of IAS 39 under financial assets available for sale category. The classification depends on the purpose for which those assets were acquired and is determined at initial recognition by the management

Financial assets available for sale
Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months from the end of the reporting period.

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement
After initial recognition, financial assets available for sale are subsequently carried at fair value. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from financial assets at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in cumulative changes in fair value in other comprehensive income, except for available for sale debt instruments, where the foreign exchange differences component is recognized in the consolidated statement of profit or loss, while other fair value changes are recognized in cumulative changes in fair value in other comprehensive income.

Where financial assets available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When a financial asset available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition
A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss. Impairment losses recognized for available for sale debt instruments are reversed through the consolidated statement of profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was previously recognized.

- **Financial liabilities**

1) Accounts payable:
Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

2) Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

d) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

e) Investment in associates

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group interest in that associate (which includes any long-term interests that, in substance, form part of the Group net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group interest in the associate.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

f) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs. Subsequent to the initial recognition, investment properties are stated at their fair value at the end of the reporting period. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

In case of changing the property from the owner use to investment property, the Group treated the property in the same accounting policy used for property, plant and equipment till the date of changing the use.

g) Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period.

Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	Years
Right of utilization	11
Buildings	10 - 20
Leasehold improvements	10
Machinery and equipment	5 - 10
Motor vehicles	3 - 5
Office furniture and equipment	3 - 5

Capital work in progress is stated at cost. Following completion, it will be transferred to relevant category under property, plant and equipment.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

h) Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that re-measurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent periods.

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.

i) Impairment of assets

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of financial period and approximates the present value of the final obligation.

k) Dividend distribution to shareholders

The Company recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

m) Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

n) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

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

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer. The Group does not practice any activity for Customer Loyalty Programs.

Interest income
Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized either as cash is collected or on a cost–recovery basis as conditions warrant.

Rendering of services
Revenue is recognized when the service is rendered.

Dividend income
Dividend income is recognized when the right to receive payment is established.

Rent
Rental income is recognized, when earned, on a time apportionment basis.

Gain on sale of financial assets
Gain on sale of financial assets is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Murabaha income
Murabaha income is accounted based on weighted time apportionment.

Other income
Other income are recognized on accrual basis.

p) Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

q) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

r) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the 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.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

s) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the consolidated profit of the Group before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of income from shareholding subsidiaries and associates, transfer to statutory reserve, and any accumulated losses.

t) National Labor Support Tax (NLST)
National Labor Support Tax (NLST) is calculated at 2.5% on the consolidated profit of the Group before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of profit from associates & un-consolidated subsidiaries listed in Kuwait Stock Exchange, its share of NLST paid by subsidiaries listed in Kuwait Stock Exchange, and cash dividends received from companies listed in Kuwait Stock Exchange in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

u) Zakat
Zakat is calculated at 1% on the consolidated profit of the Group before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

v) Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting date are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

w) Contingencies
Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

x) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

y) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) **Judgments**

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iii) Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies financial assets as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other financial assets are classified as "available for sale".

(iv) Impairment of financial asset

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity instruments is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

(v) Classification of Land

Upon acquisition of land, the Group classifies the land into investment properties category when the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

b) Estimates and assumptions

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

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) 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 asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Provision for doubtful debts and inventory

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(iv) Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset. Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(v) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Cash and cash equivalents

	2016	2015
Cash on hand and at banks	2,047,610	1,734,546
Short term bank deposits	909,579	1,300,000
	2,957,189	3,034,546

The effective interest and return rate on short term bank deposits ranges from 1% to 1.375% per annum (2015 – 1% to 1.375% per annum) and these deposits have an average maturity of 90 days (2015 - 90 days).

4. Murabaha Investments

The actual rate of return on Murabaha investments is 1.43% per annum (2015: 1.43% per annum) and it is maturing within 120 days (2015: 120 days).

Murabaha amounting to KD 500,000 (2015: KD 1,000,000) are pledged against certain letters of guarantee issued in favor of the Group (Note 24).

5. Accounts receivable and other debit balances

	2016	2015
Trade receivables (a)	9,725,127	10,459,572
Provision for doubtful debts (b)	(7,724,184)	(7,203,632)
	2,000,943	3,255,940
Due from related parties (Note 22)	456,359	85,514
Amount pledged against letter of guarantees (c)	564,678	-
Advances to suppliers	1,647,541	1,254,459
Refundable deposits	269,546	19,016
Retentions	267,563	261,680
Others	1,288,537	1,044,471
	6,495,167	5,921,080

a) Trade receivables:
Trade receivables are non-interest bearing and are generally due within 90 days. The aging analysis of these trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired				
	Less than 90 days	91 – 180 days	181 – 365 days	More than 365 days	Impaired	Total
2016	**1,419,909**	**270,386**	**310,648**	**-**	**7,724,184**	**9,725,127**
2015	2,581,284	152,043	419,608	103,005	7,203,632	10,459,572

As of December 31, 2016, trade receivables amounting to KD 581,034 (2015 - KD 674,656) were past due but not impaired. These relate to a number of independent customers in addition to governmental entities for whom there is no recent history of default and the collection is in process.

As of December 31, 2016 trade receivables amounting to KD 520,552 (2015 – KD 1,292,524) were impaired and a provision has been taken.

The impaired receivables include balances of KD 5,229,407 relating to a project for Kuwait Oil Company. The collection of these receivables is dependent on a claim of KD 11,926,556 raised by the Parent Company along with its joint project partner due to variations and time extensions relating to the project executed for Kuwait Oil Company and current discussions are ongoing between the two companies to estimate the value of the additional works and variation orders related to the period of the project.

Subsequent to the consolidated financial statements date, the Group collected KD 1,312,324 of the outstanding trade receivables balances.

b) Provision for doubtful debts:
The movement in the provision for doubtful debts was as follows:

	2016	2015
Balance at the beginning of the year	7,203,632	5,911,108
Provision charged during the year	520,552	1,292,524
Balance at the end of the year	7,724,184	7,203,632

c) This represents the amounts pledged with the local banks against the bank guarantees for the new projects.

d) The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group does not hold any collateral as security, for accounts receivable and other debit balances.

6. Inventories

	2016	2015
Spare parts and scrap materials – raw materials	1,687,666	1,414,479
Scrap material – manufactured	310,946	283,950
Goods in stores	173,340	159,117
	2,171,952	1,857,546
Provision for damaged and slow moving inventory (a)	(583,478)	(852,000)
	1,588,474	1,005,546

a) Provision for damaged and slow moving inventories

The movement of the provision for damaged and slow moving inventories is as follows:

	2016	2015
Balance at the beginning of the year	852,000	202,000
Provision charged during the year	-	650,000
Provision for damaged and slow moving inventory no longer required	(268,522)	-
Balance at the end of the year	583,478	852,000

7. Investment in an associate
This represents an investment of 40% in Real Estate Development Company – W.L.L., which is engaged in the management and development of different kinds of properties, the main project that the company specialized in is the project of managing properties which are located in Amghara and Mina Abdullah utilized by the Parent Company under contract with the Public Authority for Industry. This contract has been renewed as stated in Note (26).

The Parent Company calculated investment in an associate company according to financial statements prepared by management.

			Percentage of ownership %			
Name of the associate	Country of Incorporation	Principal activities	2016	2015	2016	2015
Real Estate Development Co W.L.L.	State of Kuwait	General Trading and Contracting	40	40	4,921,172	4,909,890
					4,921,172	4,909,890

The movement during the year is as follows:

	2016	2015
Balance at the beginning of the year	4,909,890	5,002,694
Group's share of results from an associate	11,282	(92,804)
Balance at the end of the year	4,921,172	4,909,890

The summarized financial statements for the associate are as follows:

Summarized statement of financial position:

	2016	2015
Assets:		
Non-current assets	17,691,395	17,652,000
Total assets	17,691,395	17,652,000
Liabilities:		
Current liabilities	281,613	270,774
Non-current liabilities	5,106,851	5,106,500
Total liabilities	5,388,464	5,377,274
Net Assets	12,302,931	12,274,726
Group's ownership percentage in Real Estate Development Co. W.L.L.	40%	40%
	4,921,172	4,909,890

Summarized statement of profit or loss:

	2016	2015
Changes in fair value of investment properties	38,761	54,000
Other expenses	(10,556)	(286,010)
Net profit (loss)	28,205	(232,010)
Group's share of results from an associate	11,282	(92,804)

8. Investment properties

	2016	2015
Balance at the beginning of the year	2,755,500	1,626,786
Additions	-	1,105,500
Adjustments during the year (a)	(100,000)	-
Changes in fair value	(50,500)	23,214
Balance at the end of the year	2,605,000	2,755,500

a) During the year, the Company after negotiating with the seller of the investment property, agreed to return the excess amount paid by the Company of KD 100,000 over the actual value of the property.

The fair value of investment properties is based on valuation performed by licensed and certified valuers having professional experience, by using recognized valuation techniques and principles.

In estimating the fair value of investment properties, the Company had used the valuation techniques listed in the following schedule, and had considered the nature and usage of the investment properties.

Class of investment property	Valuation technique	Level 2
Buildings	Comparative market sales of similar property as terms of location and condition	2,605,000

Management of the Group has complied with the Executive Regulations of Capital Markets Authority with respect to guidelines for valuation of investment properties.

The investment properties are mortgaged in favor of local bank against short term financial lease contracts (Note 13).

9. Property, plant and equipment

	Right of utilization	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Office furniture and equipment	Total
Cost:							
As at January 1, 2016	144,375	1,245,926	1,796,283	4,718,849	697,152	492,365	9,094,950
Additions	-	7,452	-	263,695	66,987	810	338,944
Disposals	-	(89,671)	-	-	(44,140)	(328,874)	(462,685)
As at December 31, 2016	**144,375**	**1,163,707**	**1,796,283**	**4,982,544**	**719,999**	**164,301**	**8,971,209**
Accumulated depreciation and amortization:							
As at January 1, 2016	144,375	830,367	1,166,907	3,539,525	512,871	472,674	6,666,719
Charge for the year	-	38,361	180,422	329,027	135,280	9,603	692,693
Related to disposals	-	(89,671)	-	-	(44,140)	(328,874)	(462,685)
As at December 31, 2016	**144,375**	**779,057**	**1,347,329**	**3,868,552**	**604,011**	**153,403**	**6,896,727**
Net book value:							
As at December 31, 2016	**-**	**384,650**	**448,954**	**1,113,992**	**115,988**	**10,898**	**2,074,482**
As at December 31, 2015	-	415,559	629,376	1,179,324	184,281	19,691	2,428,231

The Parent Company's buildings are erected on lands leased from the Public Authority for Industry (Note 26).

Depreciation charged for the year is allocated as follows.

	2016	2015
Cost of sales	**255,548**	302,472
Consolidated statement of profit or loss and other comprehensive income	**437,145**	453,026
	692,693	755,498

10. Due to banks

Due to banks represents overdraft facilities and carrying an average interest rate ranging from 1.5% to 2% per annum (2015 – 1.5% to 2% per annum) over the Central Bank of Kuwait discount rate and repayable on demand.

11. Term loans

Term loans represent loans granted by local banks carrying an interest rate ranging from 1.5% to 2% per annum (2015: 1.5% to 2% per annum) over the Central Bank of Kuwait discount rate and repayable on June 28, 2017.

12. Accounts payable and other credit balances

	2016	2015
Trade payables	1,127,020	843,434
Due to related parties (Note 22)	411,532	383,377
Accrued expenses, staff bonus and leave	474,971	550,634
Advance payments from customers	472,152	423,927
Dividends payable	17,963	17,963
Nation Labor Support Tax payable	19,825	-
Contribution to KFAS payable	3,237	-
Contribution to Zakat payable	7,930	-
Others	22,304	19,659
	2,556,934	2,238,994

13 Finance lease payables

	2016	2015
Total finance lease installments	1,822,682	1,825,411
Less: Unamortized future finance charges	(92,682)	(95,411)
Net short term finance lease payables	1,730,000	1,730,000

Short term finance lease installments are to be settled based on their maturity. The last payment is due on December 14, 2017.

The short term finance lease installments was granted to the Group by a local bank and investment properties were mortgaged in exchange (Note 8).

14. Capital

Authorized, issued and paid up capital with an amount of KD 8,255,650 that consists of 82,556,507 shares of 100 fils each and all shares are in cash.

15. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and Zakat is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except for cases stipulated by law and the Parent Company's Articles of Association.

16. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and Zakat is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. The shareholders' General Assembly meeting held on May 1, 2001 approved to discontinue the annual transfer to the voluntary reserve.

17. Treasury shares

	2016	2015
Number of shares (shares)	7,779,046	7,779,046
Percentage to paid up shares (%)	9.43%	9.43%
Market value (KD)	505,638	576,398
Cost (KD)	1,056,623	1,056,623

The management of the Parent Company freezed part of the reserves equal to the balance of the treasury shares as of December 31, 2016. This balance is not available for distribution as long as the Group is holding the treasury shares. The treasury shares not pledged.

18. Service revenue and cost

Service revenue and cost include installation and maintenance of "Heating, Ventilating, and Air Conditioning" (HVAC) systems, cleaning works and rents.

19. General and administrative expenses

	2016	2015
Maintenance expenses	258,132	190,460
Rent expense	64,793	156,247
Consultancy expenses	134,015	213,809
Governmental expenses	90,217	98,089
Fuel expenses	95,160	54,933
Guardian contracts expenses	79,113	39,373
Others	376,882	362,549
	1,098,312	1,115,460

20. Other income

Other income included rental income amounting to KD 169,777 (2015: KD 197,806).

21. Earnings (loss) per share

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings (loss) per share based on the weighted average number of shares outstanding during the year as follows:

	2016	2015
Net profit (loss) for the year attributable to shareholders of the Parent Company (KD)	328,690	(2,629,296)
	Shares	Shares
Number of outstanding shares:		
Number of issued and fully paid shares	82,556,507	82,556,507
Less: Weighted average number of treasury shares	(7,779,046)	(7,779,046)
Weighted average number of outstanding shares (share)	74,777,461	74,777,461
	Fils	Fils
Earnings (loss) per share attributable to shareholders of the Parent Company	4.40	(35.16)

22 Related party disclosures

The Group has entered into various transactions with related parties, i.e. ultimate Parent Company, Board of Directors, key management personnel, associate and entities under common control and other related parties in the normal course of its business. Prices and terms of payment are approved by Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position

	The Ultimate Parent Company	Entities under common control	2016	2015
Accounts receivable and other debit balances (Note 5)	3,659	452,700	456,359	85,514
Accounts payable and other credit balances (Note 12)	411,532	-	411,532	383,377

Compensation to key management personnel:	2016	2015
Salaries and other short term benefits	231,756	278,905
Terminal benefits	6,180	9,474

23. Segment information

The Group is organized into functional divisions to manage its various lines of business. The Group operates mainly in the State of Kuwait. For the purposes of segment reporting, the Group's management has grouped its products and services into the following operating segments:

A. Metal Shredding and used spare parts department
This represents importing machines and material necessary for shredding, sorting and selling waste scrap inside and outside State of Kuwait.

B. Commercial department
This represents purchase and sale of used and scrap machinery, vehicles and tanks and their spare parts and all kind of materials and other products derived from their materials.

C. Waste plastic recycling department
This represents recycling of waste, plastic, rubbles, and environmental waste and trading in the recycled materials.

D. Shear and Baler
This represents cutting and shearing of metals and other associated activities.

Financial details of the above operating segments are as follows:

	2016		2015	
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Metal Shredding and used spare parts department	10,605,433	-	11,034,426	-
Commercial department	224,024	-	167,119	-
Waste plastic recycling department	1,668,813	-	1,401,256	-
Shear and baler	461,204	-	60,602	-
Unallocated assets and liabilities	9,221,466	5,544,935	10,063,568	6,396,887
	22,180,940	5,544,935	22,726,971	6,396,887

	2016		2015	
	Segment revenue	Segment results	Segment revenue	Segment results
Metal Shredding and used spare parts department	4,640,179	1,443,472	5,413,478	(908,775)
Commercial department	98,017	16,865	81,988	(28,591)
Waste plastic recycling department	730,153	384,879	687,455	(312,988)
Shear and baler	201,790	31,672	29,731	(4,248)
Others	6,462,505	(1,296,700)	5,092,294	(1,196,944)
	12,132,644	580,188	11,304,946	(2,451,546)

24. Contingent liabilities

As of December 31, the Group is contingently liabilities in respect of the following:

	2016	2015
Letters of guarantee	7,250,527	5,867,939
Letters of credit	24,133	-
	7,274,660	5,867,939

Certain letters of guarantee amounting to KD 29,715 are secured by time murabaha (Note 4).

25. Proposed dividends and General Assembly

The Board of Directors meeting held on March 29, 2017 recommended not to distribute cash dividends for the year ended December 31, 2016. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly of the Parent Company.

The Extraordinary Shareholders' Annual General Assembly held on August 2, 2016 approved to close the accumulated losses amounting to KD 6,601,209 as of December 31, 2015, and decrease the share premium with the amount of the accumulated losses from KD 11,690,245 to KD 5,089,036.

The Ordinary Shareholders' Annual General Assembly held on June 12, 2016 approved the consolidated financial statements for the financial year ended December 31, 2015 and also approved not to distribute dividends for the financial year ended December 31, 2015.

26. Right of utilization

The Parent Company's operations are erected on land leased by an associate, for which the right of utilization, contract was renewed on June 19, 2013 with the Public Authority for Industry for 5 years ending on May 13, 2018.

27. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, term deposits, Murabaha investments, receivables, financial assets available for sale, due to banks, term loans, financing lease contracts and payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Interest rate risk:**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest profit for its financial assets liabilities carrying floating interest rates. The effective interest / profit rates and the periods in which interest / profit bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings:

	2016		
	Increase / (decrease) in interest / profit rate	Loans and deposits balances as of December 31 (KD)	Effect on consolidated statement of profit or loss (KD)
Short term bank deposits	**± 5%**	**909,579**	**± 4,548**
Term deposits	**± 5%**	**484,848**	**± 2,424**
Murabaha investments	**± 5%**	**510,000**	**±2,550**
Due to banks	**± 5%**	**1,844**	**± 9**
Term loans	**± 5%**	**800,000**	**± 4,000**
Short term financing lease payables	**± 5%**	**1,730,000**	**± 8,650**

	2015		
	Increase / (Decrease) in interest / profit rate	Loans and deposits balances as of December 31 (KD)	Effect on consolidated statement of profit or loss (KD)
Short term bank deposits	± 5%	1,300,000	± 6,500
Term deposits	± 5%	185,000	± 925
Murabaha investments	± 5%	1,910,000	± 9,550
Due to banks	± 5%	1,208,600	± 6,043
Term loans	± 5%	800,000	± 4,000
Short term financing lease payables	± 5%	1,730,000	± 8,650

b) **Credit risk:**

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

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, time deposits, Murabaha investments and receivables.

c) **Foreign currency risk:**

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar. The Group is not currently exposed significantly to such risk.

d) **Liquidity risk:**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks and matching the maturity profiles of financial assets and liabilities.

Maturity Table for financial liabilities

	2016		
	1-3 months	3-12 months	Total
Due to banks	1,844	-	1,844
Term loans	-	800,000	800,000
Accounts payable and other credit balances	1,553,494	1,003,440	2,556,934
Short term finance lease payables	-	1,730,000	1,730,000
Total	1,555,338	3,533,440	5,088,778

	2015		
	1-3 months	3-12 months	Total
Due to banks	547,421	661,179	1,208,600
Term loans	-	800,000	800,000
Accounts payable and other credit balances	1,992,187	246,807	2,238,994
Short term finance lease payables	-	1,730,000	1,730,000
Total	2,539,608	3,437,986	5,977,594

e) Equity price risk:

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as available for sale. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio. Group's investment in equity securities are carried at cost.

28. Fair value measurement

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

At December 31, the fair value of financial instruments approximates their carrying amounts, with the exception of certain financial assets available for sale carried at cost. The Management of the Group has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short - term maturities of these instruments.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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:

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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

2016	Level 2	Level 3	Total
Financial assets available for sale	106,392	77,103	183,495

2015	Level 2	Level 3	Total
Financial assets available for sale	-	263,563	263,563

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost. The management of the Group has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value details of investment properties are mentioned in (Note 8).

29. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividend paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

30. Comparative figures

Certain comparative amounts for previous year were reclassified to conform with the current year presentation which has no impact on total equity and the Group's net results.