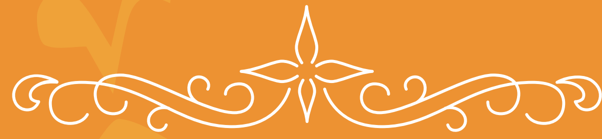
BUILDING ON SOLID FOUNDATIONS

ANNUAL REPORT 2016



بسم الله الرحمن الرحيم

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL.

His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

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BOARD OF DIRECTORS

Mr. Abdul Aziz Ahmad Abdullah Al-Ayyoub
Chairman

Mr. Ghassan Ahmad Saud Al-khaled
Vice Chairman &
Chief Executive Officer

Mr. Ahmed Faisal Sayyed Abdulwahab Al-Rifaie
Member

Mr. Ahmad Ghassan Ahmed Saud Al-Khaled
Member

Mrs. Faten Farouq Al-Naqib
Member

Mr. Basel Abdullah Mishari Al-Nafeesi
Member

Chairman's Message

Esteemed Shareholders,

I would first like to welcome you and am honored to meet with you at our annual meeting to review the main milestones in the progress of your company during 2016.

With regard to our financial performance during the year, your company was largely affected by the turmoil taking place in our region, but continued to achieve positive results with a net profit attributed to the shareholders of the parent company of KD 7.238 million compared to KD 8.380 million in 2015. We seek to continue the progress of your company in the coming years while keeping pace with the changes and developments taking place in the local and regional markets in which we seek to maximize the company's share, with a view to achieving further positive results for our business.

The company's total revenues rose to KD 98.626 million last year from KD 97.575 in 2015. The Board of Directors has recommended the distribution of a cash dividend of 15 Fils per share and a bonus share distribution at the rate of 5 Fils per share. The Board also recommended the payment of Board of Directors remunerations for a total amount of KD45,000 in appreciation for their efforts. These recommendations are subject to the approval of the Company's general assembly.

ACICO for Industries Company has been keen to lay a strong foundation for its business through its corporate governance policy adopted by the Board of Directors. Corporate governance embodies a set of policies, procedures and sound practices that are instrumental in directing, monitoring and controlling business and activities in all the Company's units, in addition to an effective set for reports which help in ensuring that the most appropriate decisions are taken, thereby promoting the principles of transparency and fairness and achieving the objectives of the Company and stakeholders. ACICO has been carefully seeking to keep abreast with developments and new ideas in the field of corporate governance.

In conclusion, and in the name of our Board of Directors and all the employees, I wish to present to our esteemed shareholders our deepest thanks and appreciation for your valuable support to the Company's progress, your judicious guidance to the Board of Directors and your trust which we view with deserved gratitude and without which it would have been impossible for us to make the achievements we have made. We will always be committed to maximizing your rights in the coming years.

On behalf of our esteemed shareholders, we express our deep appreciation to the executive management for their efforts in drawing a strategy to strengthen the Company's future performance, and for all the employees of ACICO Group for the results achieved during 2016, and take the liberty to urge them to continue their sustained efforts, wishing them all further success in the near future.

Abdul Aziz Ahmed Abdullah Al-Ayyoub

Chairman

Message of the CEO,

Honorable Shareholders,

I would like first to thank you, for myself and on behalf of the members of the Board of Directors and the Executive Management of ACICO for Industries Company, and am pleased to take you through the performance of your company and present the company's financial statements for the year ended 31 December 2016.

The Company's Achievements

ACICO Group's achievements this year were quite varied but are mainly visible in two key areas: first, investment in the human element and second, expansion of several operational activities of the Group.

First: Investment in the Human Element

Our investment in our human resources is by far our most important investment, and the retention and promotion of this element has been the main theme of our plans and strategies. To this end, the Group succeeded during 2016 in re-structuring and creation of new departments within the framework of its endeavor to increase the efficiency and effectiveness of the Group companies, maintain a high level of transparency in line with the growth witnessed at Group level and in order to ensure that all sectors contribute to the creation of an added value. Within this framework, the best management practices were adopted and implemented in order to optimize performance and results.

Second: Expanding our Operational Activities

In our view, demand for building and construction materials will increase as a direct result of the infra-structure projects announced by the State and the strategic projects targeted for execution under the second development plan (2015/2016 – 2019/2020) drawn by the General Secretariat of the Higher Council for Planning within the "Kuwait Vision 2035". A key announced project is the extension and development of Kuwait International Airport (Passengers Terminal 2), Sheikh Jaber Al-Ahmad Bridge Project and the Clean Fuel Project, as well as several housing projects that the Public Authority for Housing Welfare is executing under its five-year plan which consists of several projects which include Sabah Al-Ahmad City, Jaber Al-Ahmad City, North West Sulaibkhat Project, the existing Wafra Project and its extension, West Abdullah Al-Mubarak Project, South Mutlaa Project, Al-Khairan City Project, , South Saad Al-Abdullah city Project, South Sabah Al-Ahmad City Project, Nawaf Al-Ahmed Project and Sabriah City.

Against this background, the Group launched the extension of the cement production line designed to keep pace with these new projects, as part of its ongoing efforts to increase its market share and benefit from the opportunities that present themselves in the market. This decision was taken after we had seen a remarkable growth in our Cement Sector and after the plant had reached its full production capacity.

Furthermore, we succeeded in increasing the size of our trans-mixer fleet, used in carrying ready mix concrete, with a view to cater for the rapid growth of our sales driven by the start of the execution of the new projects that had been announced earlier. This sector continues to be promising given the number of strategic projects and housing cities to be constructed of which is scheduled to start over the coming two years.

In 2016, ACICO invested in expanding its own activities with a view to keeping abreast with the expected growth of the projects announced in Kuwait. This investment was accompanied by a growth of the operating assets associated with expanding the industrial extensions made during the year. Consolidated total assets increased by 8% to KD 400.499 million at the end of 2016 compared to KD 371.106 at the end of the previous year.

Over the past decade, ACICO for Industries Company consistently achieved good profits, year after year. In 2016, net profits attributed to the shareholders of parent Company amounted to KD 7.238 million compared to KD 8.380 million for the previous year, and we will continue making our determined efforts to increase our profits in the future. Total revenues of the company amounted to KD 98.626 million compared to KD 97.575 million in 2015.

Corporate Governance

ACICO for Industries Company has been keen to lay a strong foundation for its business through its corporate governance policy adopted by the Board of Directors. Corporate governance embodies a set of policies, procedures and sound practices that are instrumental I directing, monitoring and controlling business and activities in all the Company's units, in addition to an effective set for reports which help in ensuring that the most appropriate decisions are taken, thereby promoting the principles of transparency and fairness and achieving the objectives of the Company and stakeholders

The Company also seeks to establish the culture of governance at all levels and in all the practices of its employees through the adoption and implementation of the best practices in the fields of governance, with a strong emphasis on compliance with the relevant instructions and guidelines issued of the Capital Markets Authority. This is achieved by the Corporate Governance and Compliance Department holding workshops and training sessions and the issue of administrative circulars by the Board of Directors, the Executive Management and all departments of the Company, because it is firmly believes that the rules of governance issued by the Capital Markets Authority will raise the standards of the Company in all areas.

ACICO for Industries Company has laid down standards and norms for activating communication and disclosure channels with the shareholders, investors and stakeholders in order to maintain ongoing contact with them and be aware of all new trends and developments without bias and in all transparency and fairness. The company has also adopted effective mechanisms designed to safeguard the rights of all stakeholders (shareholders, customers, employees, etc.) ensure neutrality and integrity in the decision making process and distribute functions within the Board of Directors in order to strengthen the supervisory role and minimize the events of possible conflicts of interest.

Future Outlook

With regard to the Company's future strategy, after the Company has developed its assets and is now able to stand on a firm foundation of operating assets and human resources that would enable it to reap sustainable returns, particularly in terms of seizing opportunities and benefiting from planned projects and global events, such as the development projects listed with the Kuwait Vision 2035 strategic plan, involving an array of infra-structure projects, oil sector projects and other major projects in Kuwait, as well as the regional developments and associated projects floated in Dubai and Qatar, the Company will, during the coming period, drive to increase the operational efficiency of its assets, improve its performance, optimize its cash flow, promote its financial position while maximizing the added value for the shareholders.

Ghassan Ahmed Saud Al-Khaled
Vice Chairman and CEO

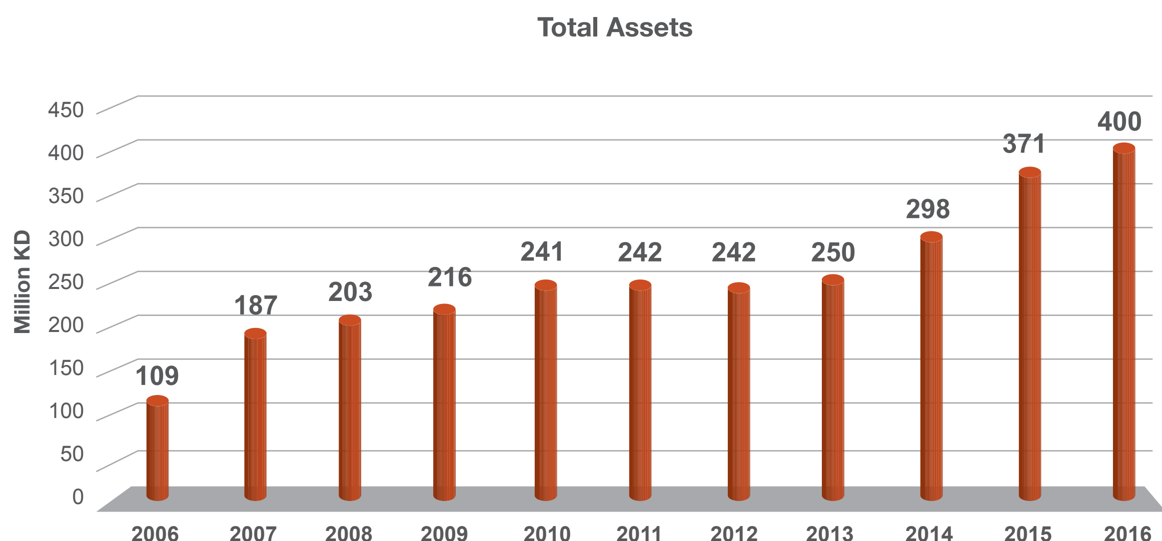
BOARD OF DIRECTORS REPORT

Financial Performance of the Company

Over the past decade, ACICO Group stood up to adversities and problems imposed upon it by the geo-political circumstances in the region and succeeded in weathering the storm and bringing its shareholders to safety at a time when all companies, even countries, were deeply affected by the global financial crisis which shrouded many sectors and activities with a gloomy shade since late 2008 and continues to do so.

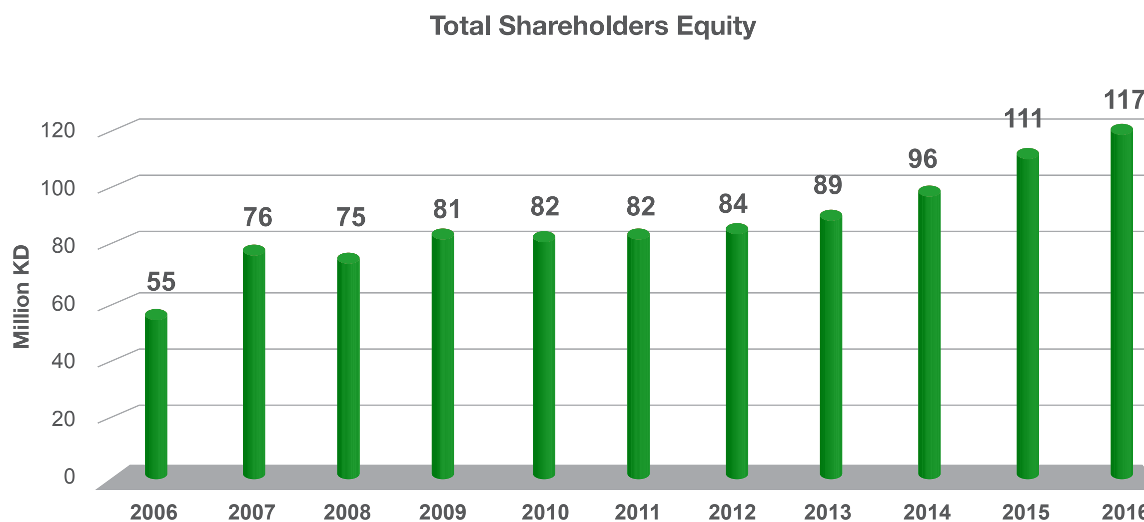
With firm support from its shareholders, the company re-emerged during the past decade and drew a clear strategy whose compass pointed directly to growth, expansion and spread. As a result, it achieved an impressive growth of its asset size by 267% to reach the level of KD 400 million by 2016, compared to KD 109 million at the end of 2006.

The following is a graph that illustrates the growth of the Company's assets from 2006 to 2016:



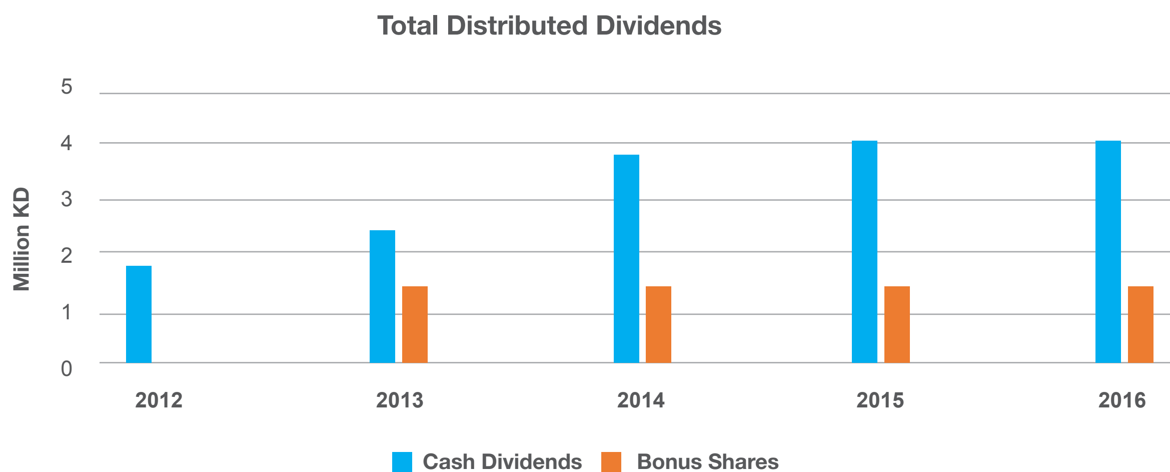
By the end of 2016, ACICO had doubled its shareholders' equity to close at KD 117 million, compared to KD 55 million at the end of 2006. It is worth noting that the growth of shareholders' equity was affected b y the cash dividends distributed to the shareholders. Had the cash dividends not been made, the shareholders' equity would have been much higher.

The following is a graph that traces the growth of the total shareholders' equity of the company from 2006 to 2016.



The company distributed dividends according to the amount of its profits in every year. Total distributed dividends amounted to KD 55 million approximately (including the dividends proposed for 2016), of which KD 43 million were cash dividends and KD 12 million approximately were bonus shares.

The following is a graph showing total dividends distributed by ACICO Company during the past five years, from 2012 to 2016:



On the Liabilities side, ACICO Company's main concern has been to safeguard its name and reputation and the good relations it maintained with banks and financial institutions who have always placed their firm confidence in the Company and effectively contributed to financing its growth and expansion strategy. This underscores the strength of the company's financial foundation and the extent to which financial institutions trust ACICO's business model, for had they not believed in the Company's management, history, operating assets and ability to honor its obligations, they would not have contributed toward promoting cooperation between us. It is worth mentioning that ACICO has been keen to employ those funds basically to strengthen its operational asset base.

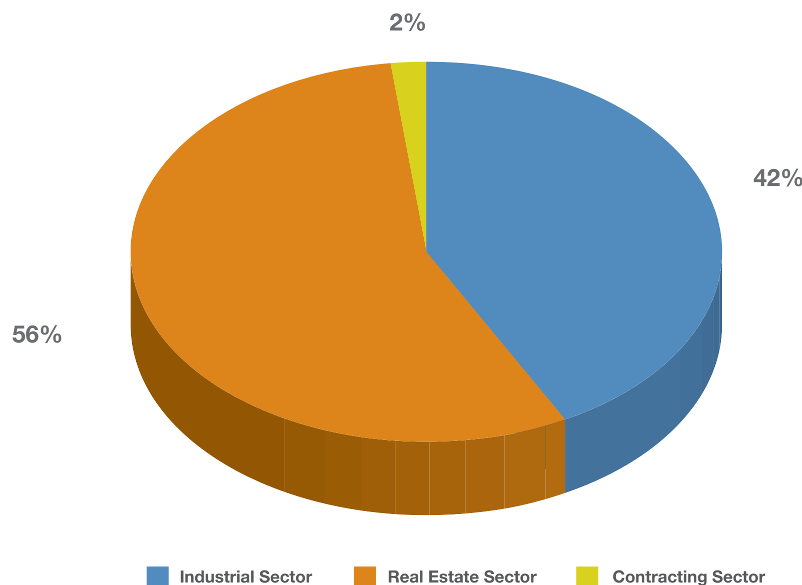
We will now discuss the Company's financial statements for 2016 compared to 2015 and consider their keys indicators.

Assets

The Company's total assets rose by 8% to KD 400.449 million at the end of 2016 compared to KD 371.106 million for 2015. This increase is attributable mainly to the expansion of the Company's main activities against the background of the expect growth of contracts and projects that will be executed in Kuwait. The value of the Group's properties, plant and equipment increased by 18% during 2016 to KD 96.217million compared to KD 81.332 million in the previous year. This increase was accompanied by a growth of the operational assets to support industrial expansion carried out during the year.

The assets of the company were distributed as follows:

Distribution of the Company's Assets in 2016



Liabilities

The Company's liabilities stood at KD 283.531 million maintaining the same ratio of debt to total assets, at 70% compared to the previous year. These funds were basically employed to strengthen the company's operational asset base and finance its expansionary strategy. The high debt ratio underscores the trust financial institutions have in the Company and its business model. The company maintained its interest cost coverage ratio at more than 2 times, thereby underscoring the strength of its financial foundations and its ability to honor its future commitments.

Through its strategic plan, ACICO will seek, during the coming few years, to strengthen the operational efficiency of its assets, optimize its performance, improve its cash flow and promote its financial position while maximizing the added value for the shareholders.

Shareholders' Equity

Total shareholders' equity rose by 6% to KD 116.917 at the end of 2016 against KD 110.750 for 2015. The book value of the share amounted to 406 Fils and there was no change to most of the items of the shareholders' equity. The main change was in the capital item as a result of the distribution of the bonus shares distributed last year and the change that occurred in several reserves.

The Company sought to maximize its shareholders' equity over the past years at minimal cost. The last time the company financed itself by increasing its capital through the shareholders took place in 2007. The company depends on its retained earnings and external financing in funding its growth and expanding its activities.

Revenues and Profits

ACICO maintained the level of its total operating revenues during 2016 to reach KD 98.626 million compared to KD 97.575 million in 2015. The Company's operating revenues are expected to improve in the future in light of the country success in forgoing ahead in executing its development plan drawn within the framework of the vision of His Highness the Amir and the success of both the Public Authority for Housing Welfare and the Ministry of Public Works in executing and completing many projects that have been floated.

ACICO continued to achieve positive results in 2016 with net profits amounting to KD 9.328 million compared to KD 9.741 million in 2015. The net profit attributable to the shareholders of the parent company amounted to KD 7.238 during 2016 against KD 8.380 million in the previous year. We will make every possible effort as we did during the 25 years since the inception of our company in order to achieve further growth of our profits in the future.

Earnings per share attributable to the shareholders of the parent company amounted to 25.24 Fils in 2016. The Board of Directors has recommended the distribution of a cash dividend for 2016 at the rate of 15 Fils per share, and further recommended the distribution of bonus shares at the rate of 5 Fils per share. These are the same distribution rates as those approved last year.

We declare that the financial statements were prepared according to the International Financial Statements Standards and that they fairly express from all material respects the financial position of the Company as at 31.12.2016 and the results of its business for the year ended on the said date according to the International Accounting Standards.

INTRODUCING ACICO

ACICO for Industries Company KSC (Public) was established in 1990 as a Kuwaiti public shareholding company. It was the brainchild of its founders' vision to make a remarkable contribution to the development of the Kuwaiti society, play an outstanding role in building the country and support the national economy and have a major share in the construction boom in Kuwait. ACICO for Industries Company was eventually listed on the Kuwait Stock Exchange in 1997.

ACICO Group's business developed rapidly as a Kuwaiti company that possesses considerable capabilities in the fields of construction, engineering, contracting, and the production of cement and building materials. Now in the third decade since its inception, the company has accumulated a long experience through the execution of a large number of outstanding projects in the State of Kuwait, United Arab Emirates and several neighboring countries, and enjoys a clear competitive advantage, creative capabilities, and an innovative spirit in business development, supported by a strong infra-structure and sophisticated modern technology that ensures its remaining ahead of other companies and the ability to provide a rich range of innovative, high-quality and environment-friendly innovative that compete favorably with similar class products in a competition-sensitive market and that enable it to continue to play a leading role within the sector through its application of a building system that has come to be known as the "ACICO Building System".

ACICO Group's activities expanded to the Kingdom of Saudi Arabia, United Arab Emirates and the State of Qatar as it successfully diversified its business into the industrial, cement, construction, real estate and hotels sectors.

ACICO and the Human Element

Realizing that our most important investment is in the human element, we continuously seek to retain and strengthen our human resources at the highest levels. In 2016, the Group re-structured and created a number of departments as part of its on-going efforts to improve the efficiency and effectiveness of the Group companies, maintain a high level of transparency and keeping abreast of the enterprise-wide growth witnessed by the Group in order to ensure that all sectors contribute effectively to the creation of a real added value. The main departments within this drive are the following:

Risk Management Department

This department has been strengthened with a view to helping the Board of Directors perform its role in identifying and measuring the probable risks that the company is exposed to. The Board achieves this by identifying risks and assessing the probability of their materialization, in an effective manner that facilitates monitoring and taking appropriate precautions. With this in mind, Risk Management Department develops the Company's plan for addressing these risks, discusses the plan with the Board of Directors and the ExecutiveManagement. The purpose of this exercise is to determine the ways that should be adopted in dealing with those risks. Other key objectives of the Risk Management Department include developing work procedures and increasing the efficiency of the Department and its employees.

Compliance & Corporate Governance Department

The Compliance & Corporate governance Department has been strengthened in order to increase ability to perform its vital role of assisting the Board of Directors to carry out its supervisory function with regard to complying with all supervision instructions and laws applicable to the Company and following up changes in the legislative environment. The Department also applies the rules of corporate governance which consist of a set of policies, procedures and rational policies that allow the direction, control and monitoring of works and activities within the Company, as well as a group of reports that help in the taking of appropriate decisions.

Internal Audit Department

Internal Audit is an independent department that reports to the Board Audit Committee. Its role is to help both the Executive Management and the Board of Directors protect the Company's assets. For this purpose, the Internal Audit Department has been strengthened in order to help the Board of Directors in performing its responsibilities related to governance, internal control and risk management. The Department also provides confirmations and advisory services with a view to adding value to the Company and improving its operations through an appraisal of the efficiency and effectiveness of the internal control systems, governance procedures and risk management.

Business Process Department

Since the moment Senior Management set the target to attain excellence at the operation level, the idea of creating the Business Process Department emerged in 2015. The purpose was to enable ACICO Group harmonize the internal operations functions with the needs of our customers and assist the Executive Management in determining the most appropriate methods of directing, monitoring and measuring the Company's resources. This process was born from the realization that the proper performance of the management functions by qualified technicians would enable the Business Process Department to protect and improve the Company's resources through cost reduction, efficiency and productivity improvement, fault and risk minimization and wastage avoidance.

The key indicators of the Business Process Department include:

- Improving the work cycle and increasing efficiency by eliminating manual work and repetitive processes from business operations as well as speeding up operating and administrative operations.
- Locating all operations and information in one place for ready access thereto by all departments and sections within the Group through "AX Dynamics2012" software.
- Ensuring that all work cycles and operations are executed and performed by all departments in an optimum manner and ascertaining compliance with new standards and quality requirements.

Mergers and Acquisitions Department

The Mergers & Acquisitions Department was created against the background of the increasing assets of the Group and the diversification of the productive sectors within the organization. The pressing need for this Department was a direct function of the objective of maximizing the added value for shareholders equity. The key duties of this Department are to draw and implement practical plans to re-structure the Group's assets and liabilities in such manner as to realize the strategic vision of the Board of Directors and optimize and re-distribute the exploitation of the Group's assets.

Marketing and Sales Department

The Marketing and Sales Department re-energized its presence in the market and participated in the most important exhibitions and conferences that were held. The objective of the Department was to demonstrate and promote the standing and capabilities of our Group. Basically, the attention of this Department focuses on increasing our market share in all business sectors and improve the standard of our services. The fact is that, despite the competition, ACICO's presence is firmly entrenched in its market, and this has enable it to continue to grow at the expense of its competitors. This was made clear by ACICO's success, time and time again, through all its subsidiary companies which have been instrumental to the growth of our sales. In 2016, the sales of ACICO rose by 3% to exceed KD 91 million compared to the year 2015. a clear indication of the remarkable growth across our products, market share and expansion into the GCC countries.

HSE Department

ACICO's HSE standards in all our companies is a matter of prime importance to our business. Indeed, these standards reflect our commitment to the safety of our employees, customers and society. ACICO fully complies with the conditions laid down by the competent authorities in every country in which we operate, and we have honored this commitment by developing additional standards of our own, and these are strictly observed by our employees and the parties we deal with.

We are keen upon providing training courses related to safety standards and work quality for all our employees. All instructions are faithfully observed, for we conduct all the necessary audit operations to maintain a safe environment.

ACICO's commitment to health and safety has been rewarded by awards of the American Society for Safety Engineers (ASSE) from the Kuwait Engineers Society, an award sponsored by the Kuwait National Petroleum Company, with the support of the Institution for Occupational Safety and Health:

1- ASSE – GCC for Initiative in Health and Safety 2016, awarded with the silver shield

2- ASSE – GCC for Safety Leadership Management 2016, awarded with the silver shield

3- ASSE – GCC for Excellence for Health and Safety in the Manufacturing Category 2016, awarded with the bronze shield

4- ASSE – GCC for Environment Excellence, 2016, awarded with the shield of merit

Social Responsibility

ACICO Group fully realizes the importance of its social responsibility and views most seriously the importance of being a positive factor within the community. We are aware of the value and magnitude of our role as a leading company in the market. With this in mind, we participate in those initiatives that are important to our societies, employees, shareholders and the environment. We know that the bigger the role the company plays in the market the larger its social responsibility toward the community. In fact, we go beyond that by launching different initiatives that benefit our society and support various social issues. Our social responsibility extends internally toward the shareholders. This is demonstrated by our determined effort to implement a strict risk assessment policy, maintain communications with the shareholders and the investment community and promote employee relations.

Support for Professional Young Kuwaitis

As part of our commitment to social responsibility, ACICO supports various programs designed to attract young Kuwaiti professionals. Our initiatives allow young professional to work and train within the work environment and gain appropriate experience, and we encourage participations by senior professionals from within our company to participate in various social occasions, We give them the opportunity to transfer some of their acquired experience to younger generations and meet with talented young people and business pioneers.

ACICO AND THE BUSINESS SECTORS

Basically an industrial company, ACICO Group focused over the years on the industrial sector in general. It then focused on supporting its financial position and market share by establishing and investing in various sectors such as the real estate, construction and hotels sectors with a view to create a suitable market for the products of its manufacturing plants, benefit from market opportunities and diversity and distribute risks to several sectors. This trend and diversification of the Company's asset portfolio has been quite beneficial in supporting the Company's growth and revenues and generate an added value for our shareholders. The following is a brief outline of ACICO Group's main operational sectors.

First, Industrial Sector

ACICO Group possesses an extensive experience in the industrial sector at the local and regional levels gained from catering for the ever-renewing market needs with products manufactured according to world-class specifications and standards. ACICO owns a number of operating manufacturing plants that produce a wide integrated range of building and construction materials as follows

- Autoclaved Aerated Concrete (ACC): ACICO Group started producing autoclaved aerated concrete in 1990 and was the only producer of this product using an innovative building system that came to be known as the “ACICO Building System”. As a result, the company became a pioneer of producing autoclaved aerated concrete, and is the largest producer of this product in the Middle East with manufacturing plants operating in Kuwait, UAE, KSA and Qatar.

  The ACICO Building System has been used successfully in various kinds of buildings such as schools, hospitals, police stations, villas, hotels, resorts and residential and industrial buildings. Many government and private projects have been executed in Kuwait and several prestigious projects were also constructed using this system in Qatar, Dubai, KSA and Oman.

- Blocks: The Group started producing blocks of aerated concrete which came to be known regionally by the name “ACICO Blocks”. This product is produced from aerated concrete which gave it a strong competitive edge over conventional blocks. Its main advantages are its light weight, reducing the load on the building structure, sound insulation, thermal insulation, fire resistance, ease of formation and the special characteristic of being environment friendly.

- Cement: The Group’s cement plant is one of a few local plants specialized in the production of cement and gave the Group a competitive advantage in Kuwait, thereby giving an added value to the Group’s activities as a whole, for this section, since it started operations in 2007, has participated in the construction and industrial boom in the region. Several types of black cement are produced, such as ordinary Portland cement (OPC), Sulfate resistant cement (SRC) of vari-

ous kinds to cater for the needs of the local market, as well as white cement and ground granulated blast-furnace slag (GGBS).

- Ready mix concrete: ACICO Group is a main supplier of ready concrete in Kuwait. Through one of its industrial arms, the Group owns the largest vehicle fleets (mixers) to transport ready concrete mix. This section has been designed and equipped with state-of-the-art technology and is supervised by highly experienced engineers. It is managed by a professional administrative team in order to maintain the quality of the concrete mix according to the highest local and international standards. This section has proved its ability to cater for the needs of all projects with its various specifications, the ability to honor delivery dates and provide appropriate technical services and achieve, even exceed, customer expectations. This can be seen clearly in the growth of the contract sizes and the section's revenues over the past years.

  All kinds of cement produced by the company's plants comply with Kuwait, US and British specifications and standards, and the Ready Concrete Section is equipped with state-of-the-art technological laboratories for carrying out chemical and physical inspections and tests. The labs are operated by specialized technicians who monitor and maintain the quality of the cement by conducting continuous tests and inspections in all stages of production of the ready concrete mixes, starting with the primary materials and ending with the production of the final product.

- Interlock Tiles:Desiring to serve and help customers achieve their aspirations by diversifying our products, and in order to realize the strategic plans of the Board of Directors to expand and introduce new and integrated products, in addition to its current products, the Group, through one of its industrial arms, established the Interlock Tile Section at the beginning of 2015 to add not kinds of interlock tiles with different forms and colors used in various fields such as the paving of the entrances to buildings, gardens and side passageways. Interlock tiles are produced according to Kuwaiti and international specifications and standards.

  The Group installed a modern automated production line which can produce more than 24 different forms of interlock tiles of high quality and a range of colors, with different specifications according to the desire of the customer. This section is the most modern in the State of Kuwait.

- Pre-cast Concrete: The Group always seeks to offer diversified and integrated products to the market in general and to its customers in particular, mainly in precast and pre-stressed concrete of various forms and products to integrate with its basket of other products offered by the Group, and has started supplying the market with this product since mid-2014.

- Reinforcement Steel: This section was establishment in 2015 and consists of two main sections: the Reinforcement Steel Cutting and Bending Section and the Welded Steel Chain Link Section. The following is an outline of each section:

a) The Reinforcement Steel Cut and Bend Section:

This section started production in the third quarter of 2015 and is fully automated. It is equipped with very accurate and highly productive modern equipment and machines. The section mainly forms the reinforcement and bends it in various forms upon request.

b) Welded Wire Mesh Section:

This section started production during the fourth quarter of 2015 and mainly cuts and welds wire mesh used in the various building areas such as floors, walls, ceilings and others. The section cuts and forms welded wire mesh according to international specifications and standards, particularly BS 4483 used in floors, walls, stairs and others.

Second: The Real Estate Sector

ACICO succeeded in achieving its strategic vision of developing the real estate sector at the local and regional levels through its real estate investment arms. ACICO Group worked on the execution of several real estate projects in several countries such as Kuwait, KSA and the UAE.

Main Real Estate Projects:

- Real Estate Projects in the KSA: The main project was Al-Asdaf Project, a real estate project at Khobar, KSA, where one of the real estate arms of the company bought a land with an area of approximately 444,000 square meters for development and building an integrated residential city thereon consisting of approximately 1,000 villas and the relevant public facilities for serving the city such as schools, marketing centers, mosques and other buildings, services and public facilities.

- Real Estate Projects in Kuwait: Through one of its real estate subsidiaries, the company executed several diversified projects such as villas, chalets and residential towers in several areas of Kuwait, foremost among which was Al-Waha Residential Compound at Fintas, the Jabriah Residential Compound at Jabriah and a set of chalets at Khairan, in addition to the execution of several villas construction projects in different areas such as Ogailah, Mangaf, Ashbiliah and others.

- Real Estate Projects in the UAE: The most important project was The Villa Project in Dubai Land, consisting of 10 villas. A Group company developed the plots and built thereon modern-style villas, then sold the project last decade. The Group also built “ACICO Business Park Tower”, a commercial tower in Port Said area in Dubai, UAE. The building work was completed and the tower was operated in 2008 on a plot of land 60,000 square feet. It consists of 9 commercial floors. The company continues to own the tower which has been generating rewarding rental revenues.

Third, Hotels Sector

With a view to realize the Company's objectives of expanding and diversifying its assets portfolio and achieve a sustainable growth of future profits, ACICO started the building of a group of hotels with world-class standards in emirates of Dubai and Fujaira in the UAE, with a view to achieving an added value for the Company and the shareholders.

Nassima Towers – Dubai: Both Towers are located on Sheikh Zayed Street facing the Duba World Trade Center in the Emirate of Dubai. The first tower contains a hotel and the second hotel apartments.

1- Nassima Royal Hotel: This is a 5-Star Hotel which was launched in 2010. It consists of 51 floors and 471 rooms and suites. The Hotel has several associated facilities such as restaurants, health club and commercial shops.

2- Nassima Royal Hotel Apartments: It is classified as 5-star and was opened in 2011. Consisting of 45 floors, it contains 21 furnished apartments. The tower has 24 commercial floors which are fully leased. ACICO provided the hotel apartments with a view to cater for the needs and desires of its customers of GCC and Arab families who wish to have a larger area for their privacy, while maintaining the service level of 5-star hotels.

Radisson Blu Resort – Fujaira: The resort is located on the coastal strip of Fujaira. It is a 4-star hotel which was opened in 2007 on a plot of 320,000 square feet and contains 257 rooms and suites. The hotel a number of other facilities such as restaurants, a health club and commercial shops.

Fourth, Constructions Sector

ACICO Group owns several companies that are classified and accredited by various authorities. A number of them are classified by the Public Authority for Housing Welfare and others are classified by the Central Tenders Committee as a first grade construction Company. These companies provided such services as project management and other integrated services that include the following key aspects:

- Project management.
- Constructions, both traditional and load bearing wall building systems (ACICO Building System).
- Maintenance works such as civil and electromechanical maintenance companies (electricity, sanitary and air-conditioning-HVAC).

During the past few years, these companies executed many projects for government authorities and entities, as well as the private sector. The executed products are diversified and include hotels (Palms Hotel, Kuwait, Nassima Royal Hotel, Dubai and Nassima Royal Hotel Apartments, Dubai), universities (mainly the American University in Dubai, Dubai), Investment residential and commercial towers (foremost among which is the Jabriah Tower, Kuwait and ACICO Business Park Tower, Dubai) as well as schools, villas, houses, chalets, mosques and others.

ACICO

Achievements by ACICO During the Last Decade

2007
Launching Radisson Blu Resort
Start of Production at the Cement Plant

2008
Launching ACICO Business Park Tower

2010
Launching Nassima Royal Hotel

2011
Launching Nassima Royal Hotel Apartment

2013
Acquisition of an indutrial company in KSA

2014
Acquisition of an industrial company in Kuwait

2015
Acquisition of an industrial company in Kuwait
Acquisition of a real estate company in Kuwait
Launching of an interlock tile factory, a steel cut and bend plant at an industrial arm of the Group

2016
Expanding and doubling the production capacity of the cement plant

FINANCE

ACICO FOR INDUSTRIES CO. - 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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INDEPENDENT AUDITORS' REPORT

To The Shareholders of ACICO for Industries 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 ACICO for Industries Company - K.S.C. (Public) ("the Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements 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 31 December 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.

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 10 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objective is 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 auditor's 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 auditors' 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.

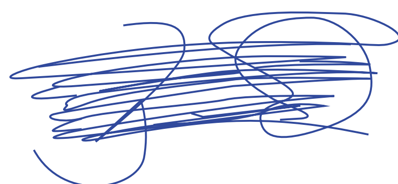
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 auditor's 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 31 December 2016 that might have had a material effect on the business or financial position of the Parent Company.



Dr. Ali Owaid Rukheyes

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Member Of Nexia International – (England)

ALWaha Auditing Office

Dr. Shuaib A. Shuaib

Licence No.33-A

RSM Albazie & Co.

State of Kuwait

January 10, 2017

ACICO FOR INDUSTRIES CO. - 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
Cash on hand and at banks		5,487,825	2,211,324
Accounts receivable and other debit balances	3	21,437,863	17,822,588
Gross amount due from customers for contract work	4	2,026,169	2,215,887
Due from related parties	5	11,993,409	8,755,202
Inventories	6	31,856,921	21,415,303
Properties held for trading	7	12,148,718	11,715,773
Financial assets available for sale	8	863,303	1,011,713
Investment in associates	9	3,404,545	7,852,929
Investment in unconsolidated subsidiaries	2	-	4,289,529
Investment properties	10	196,730,683	195,077,637
Right of utilization of leasehold lands	11	12,428,329	12,428,329
Property, plant and equipment	12	96,217,480	81,332,378
Goodwill	2	5,853,332	4,977,781
Total assets		400,448,577	371,106,373
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	13	11,627,612	7,067,985
Accounts payable and other credit balances	14	28,900,853	30,345,174
Dividends payable to shareholders		1,468,936	1,272,277
Gross amount due to customers for contract work	4	2,681,500	2,664,465
Due to related parties	5	44,646	7,311,506
Term loans	15	181,955,328	159,358,793
Murabaha payable	16	53,662,842	49,541,750
Provision for end of service indemnity	17	3,189,629	2,794,650
Total liabilities		283,531,346	260,356,600

	Note	**2016**	2015
Equity:			
Share capital	18	**28,800,354**	27,428,908
Share premium	19	**24,426,446**	24,426,446
Statutory reserve	20	**12,104,676**	11,353,400
Treasury shares	22	**(432,774)**	(432,774)
Treasury shares reserve		**2,589,875**	2,589,875
Effect of change in other comprehensive loss of associates		**(292,969)**	(41,441)
Effect of changes in ownership interest of a subsidiary		**1,600,000**	1,600,000
Foreign currency translation reserve		**9,502,111**	7,699,349
Retained earnings		**30,554,108**	29,534,977
Equity attributable to shareholders of the parent company		**108,851,827**	104,158,740
Non-controlling interests		**8,065,404**	6,591,033
Total equity		**116,917,231**	110,749,773
Total liabilities and equity		**400,448,577**	371,106,373

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements.

Abdul Aziz Al-Ayoub

Chairman

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2016

(All amounts are in Kuwaiti Dinars)

	Note	**2016**	2015
Operating revenue	23	**91,047,340**	88,513,893
Operating cost	25 ,23	**(70,042,359)**	(69,976,120)
Net real estate revenue	24	**7,578,903**	9,061,503
Gross profit from operations		**28,583,884**	27,599,276
General and administrative expenses	25	**(8,303,544)**	(8,541,217)
Selling expenses		**(1,150,743)**	(1,297,967)
Depreciation	23	**(592,589)**	(417,619)
Income from operations		**18,537,008**	17,342,473
Group's share of results from associates	9	**(678,593)**	(648,570)
Impairment loss on investment in associate	9	**(18,263)**	-
Gain from re-measurement of previously held interest in associates		**-**	308,942
Gain from bargain purchase of subsidiaries		**-**	986,473
Gain on sale of property, plant and equipment		**73,310**	65,335
Net loss from financial assets	26	**(148,410)**	(178,978)
Finance charges	23	**(8,363,579)**	(7,690,176)
Provisions	27	**(246,000)**	(615,168)
Other income		**447,227**	536,637
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration		**9,602,700**	10,106,968

	Note	2016	2015
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration		**9,602,700**	10,106,968
Contribution to Kuwait Foundation for the Advancement of Sciences		**(5,049)**	(36,221)
National Labor Support Tax		**(202,715)**	(234,006)
Contribution to Zakat		**(21,666)**	(50,412)
Board of Directors' remuneration	28	**(45,000)**	(45,000)
Net profit for the year		**9,328,270**	9,741,329
Attributable to:			
Shareholders of the Parent Company		**7,238,331**	8,380,066
Non-controlling interests		**2,089,939**	1,361,263
Net profit for the year		**9,328,270**	9,741,329
		Fils	Fils
Earnings per share attributable to shareholders of the Parent Company	29	**25.24**	29.22

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements.

ACICO FOR INDUSTRIES CO. - 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
Net profit for the year		**9,328,270**	9,741,329
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**1,812,194**	7,736,754
Share of other comprehensive loss from associates	9	**(309,732)**	(190,235)
Other comprehensive income for the year		**1,502,462**	7,546,519
Total comprehensive income for the year		**10,830,732**	17,287,848
Attributable to:			
Shareholders of the Parent Company		**8,731,361**	15,819,311
Non-controlling interests		**2,099,371**	1,468,537
Total comprehensive income for the year		**10,830,732**	17,287,848

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements.

ACICO FOR INDUSTRIES CO. - 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											
	Share capital	Share premium	Statutory reserve	Treasury shares	Treasury Shares reserve	Effect of change in other comprehensive income (loss) of associates	Effect of change in ownership interest of a subsidiary	Foreign currency translation reserve	Retained earnings	Sub Total	Non-controlling interests	Total Equity
Balance as of January 1, 2015	26,122,770	24,426,446	10,478,829	(432,774)	2,589,875	214,946	-	69,869	27,237,026	90,706,987	5,597,418	96,304,405
Bonus shares (Note 30)	1,306,138	-	-	-	-	-	-	-	(1,306,138)	-	-	-
Cash dividends (Note 30)	-	-	-	-	-	-	-	-	(3,901,406)	(3,901,406)	-	(3,901,406)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(638,937)	(638,937)
Effect of changes in ownership interest of a subsidiary	-	-	-	-	-	-	1,600,000	-	-	1,600,000	(3,017,719)	(1,417,719)
Acquisition of a subsidiary with a non-controlling interests	-	-	-	-	-	-	-	-	-	-	3,181,734	3,181,734
Changes in associate's (equity (Note 9	-	-	-	-	-	(66,152)	-	-	-	(66,152)	-	(66,152)
Total comprehensive (loss) income for the year	-	-	-	-	-	(190,235)	-	7,629,480	8,380,066	15,819,311	1,468,537	17,287,848
Transfer to statutory reserve	-	-	874,571	-	-	-	-	-	(874,571)	-	-	-
Balance as of December 31, 2015	27,428,908	24,426,446	11,353,400	(432,774)	2,589,875	(41,441)	1,600,000	7,699,349	29,534,977	104,158,740	6,591,033	110,749,773
Bonus shares (Note 30)	1,371,446	-	-	-	-	-	-	-	(1,371,446)	-	-	-
Cash dividends (Note 30)	-	-	-	-	-	-	-	-	(4,096,478)	(4,096,478)	-	(4,096,478)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(625,000)	(625,000)
Changes in associate's (equity (Note 9	-	-	-	-	-	58,204	-	-	-	58,204	-	58,204
Total comprehensive (loss) income for the year	-	-	-	-	-	(309,732)	-	1,802,762	7,238,331	8,731,361	2,099,371	10,830,732
Transfer to statutory reserve	-	-	751,276	-	-	-	-	-	(751,276)	-	-	-
Balance as of December 31, 2016	**28,800,354**	**24,426,446**	**12,104,676**	**(432,774)**	**2,589,875**	**(292,969)**	**1,600,000**	**9,502,111**	**30,554,108**	**108,851,827**	**8,065,404**	**116,917,231**

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements.

ACICO FOR INDUSTRIES CO. - 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 for the year before Contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Contribution to Zakat and Board of Directors' remuneration	9,602,700	10,106,968
Adjustments:		
Depreciation	5,157,925	4,116,097
Change in fair value of investment properties	(303,830)	56,916
Impairment loss for investment in associates	18,263	-
Share of results from associates	678,593	648,570
Gain from re-measurement of previously held interest in associates	-	(308,942)
Gain from bargain purchase of subsidiaries	-	(986,473)
Impairment loss on financial assets available for sale	148,410	181,915
Gain on sale of financial assets available for sale	-	(21,494)
Gain on sale of investment properties	(107,125)	-
Finance charges	8,363,579	7,690,176
Provision for doubtful debts	246,000	606,961
Provision for slow moving inventories	-	8,207
Provision for end of service indemnity	726,838	1,119,665
Gain on sale of property, plant and equipment	(73,310)	(65,335)
	24,458,043	23,153,231
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(3,849,820)	(4,289,863)
Gross amount due from customers for contract work	189,718	(911,010)
Due from related parties	(919,917)	3,162,661
Inventories	(10,441,533)	(10,961,114)
Paid for purchase of properties held for trading	(328,589)	(246,245)
Accounts payable and other credit balances	(3,029,696)	(176,973)

	2016	2015
Gross amount due to customers for contract work	17,035	362,368
Due to related parties	(5,895,621)	(9,560,650)
Cash generated from operations	199,620	532,405
Payment for Board of Directors' remuneration	(45,000)	(30,000)
Payment for end of service indemnity	(335,292)	(506,631)
Net cash flows used in operating activities	(180,672)	(4,226)
Cash flows from investing activities:		
Paid for Investment properties	(989,539)	-
Proceeds from sale of investment properties	1,386,649	-
Proceeds from sale of financial assets available for sale	-	85,657
Paid for purchase of property, plant and equipment	(17,022,529)	(24,735,179)
Proceeds from sale of property, plant and equipment	815,787	71,161
Net cash outflow on acquisition of subsidiaries	-	(5,835,068)
Paid for acquisition of investment in unconsolidated subsidiary	-	(1,962,063)
Net cash flows used in investing activities	(15,809,632)	(32,375,492)
Cash flows from financing activities:		
Net movement on due to banks	4,559,627	(71,472)
Net movement on term loans	22,596,535	47,259,484
Net movement on Murabaha payable	4,121,092	(3,397,653)
Finance charges paid	(7,261,059)	(6,477,661)
Dividends paid to shareholders	(3,899,819)	(3,726,027)
Dividends paid to non - controlling interests	(625,000)	(638,937)
Net cash generated from financing activities	19,491,376	32,947,734
Net increase in cash on hand and at banks	3,501,072	568,016
Cash related to new subsidiary	9,176	-
Foreign currency translation reserve	(233,747)	(544,258)
Cash on hand and at banks at the beginning of the year	2,211,324	2,187,566
Cash on hand and at banks at the end of the year	5,487,825	2,211,324

The accompanying notes (1) to (38) form an integral part of the consolidated financial statements.

1. Incorporation and activities

ACICO for Industries Co. - K.S.C. (Public) (the "Parent Company") was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 16540 on June 23, 1990 and registered on Commercial register under Ref. No. 41903 dated July 17, 1991 and the last amendment done on the Commercial Registration was on July 11, 2016. (Note 18).

The Parent Company's shares are listed in Kuwait Stock Exchange.

1- The main objectives of the Parent Company include the following:

2- Establishment of a factory for the production of all types and sizes of aerated concrete and non-concrete and all its construction requirements, import and export of all building materials. The Company is considered the sole agent in the Middle East for manufacturing 'Hebel' international products.

3- Owning, buying and selling real estates, land and lands for development for the benefit of the Company either inside or outside Kuwait as well as management of third party's properties without violating the provisions of the laws in force and the prohibition of trading in private housing plots in the way provided in such laws.

4- Dealing in industrial companies' shares and bonds relating to the main objective of the Company for the benefit of the Company only either inside or outside Kuwait.

5- Preparing and submitting the studies and consultancy and also organizing the industrial exhibitions for the Company's projects and also establishing its related tenders as per laws and regulations.

General contracting and managing contracting portfolios.

The Parent Company may have interests or participate in any aspect in other firms conducting similar activities or which may assist the Parent Company in achieving its objectives in Kuwait or abroad. The Company may also acquire such firms or participate in their equity.

The Parent Company's number of employees is 475 as at December 31, 2016 (2015 – 471 employees).

The address of the Company's head office is P.O. Box 24079, Safat, 13101 - State of Kuwait.

The consolidated financial statements were authorized for issue by the Board of Directors on January 10, 2017. The accompanying financial statements have to be confirmed by the ordinary shareholders' General Assembly, The ordinary shareholders' 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 presentation:

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 certain financial assets available for sale and 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(ab).

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.

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

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.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
This standard will be effective for annual periods beginning on or after January 1, 2018, The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations

The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

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 Acico for industries Company - K.S.C. (Public) and the following subsidiaries (together the "Group"):

		Percentage of holding (%)	
Name of Subsidiaries	Country of incorporation	2016	2015
ACICO Arabia for General Trading & Contracting – W.L.L.	State of Kuwait	94.33	94.33
ACICO for Construction - K.S.C. (Closed)	State of Kuwait	75	75
*ACICO Kuwait Company - W.L.L.	State of Kuwait	99	99
*ACICO Gulf Real Estate Company – W.L.L.	State of Kuwait	99	99
*Aselera Logistics for Goods Transportation – W.L.L.	State of Kuwait	99	99
Al Masaken United Real Estate Company K.S.C. (Closed)	State of Kuwait	85.84	85.84
Aerated Concentrate Industries Company – Qatar – W.L.L.	State of Qatar	100	100
Sky Star International for Businessmen Services	United Arab Emirates	100	100
Aerated Concrete Industries Company - Saudi Arabia - W.L.L.	Kingdom of Saudi Arabia	100	100
**Mariam Al Subah & Co. for General Trading Co. W.L.L.	State of Kuwait	100	100

*The remaining 1% shares are held by a related party, however the Parent Company is the beneficial owner of the same.

**During the previous year, the Parent Company acquired 100% of Mariam Al Subah & Co. for General Trading Co. W.L.L. The Group had not accounted for its share of results in this subsidiary in the previous year, since the subsidiary had not yet commenced operations till reporting date. The fair value of identifiable net assets, liabilities during the year and goodwill resulting from acquisition of the subsidiary are as follows:

	Fair value
Cash and cash equivalents	9,176
Projects under construction	3,428,653
Property, plant and equipment	40,045
Accounts payable and other credit balances	(253,425)
Due to related parties	(2,065,561)
Partners' current accounts	(63,200)
Net fair value of assets and liabilities	1,095,688
Percentage of ownership	100%
Net assets	1,095,688
Consideration paid	(1,971,239)
Goodwill on acquisition of a subsidiary	875,551

Net cash outflow used in acquisition:

	Total
Net cash outflow on acquisition	1,971,239
Less: cash and cash equivalent balances of subsidiaries acquired on acquisition	(9,176)
Net cash outflow used in acquisition	1,962,063

The movement in goodwill details is as follows:

	Total
As at 1 January 2016	4,977,781
Additions during the year	875,551
As at 31 December 2016	5,853,332

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 on hand and at banks, receivables, financial assets available for sale, due from / to related parties, due to banks, term loans, Murabaha payable and accounts payable.

• Financial assets

- 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

• 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.

a) 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

- 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.

- 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.

- Murabaha payable:

Murabaha payable represents the amounts due to pay for purchased assets for others on deferred basis as per Murabaha facility agreements. Murabaha balances are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

d) Gross amount due from) to (customers for contract work:
Gross amount due from) to (customers for contract work represents the net amount of costs incurred plus recognized profits ,less the sum of recognized losses and progress billings for all contracts in progress .Cost comprises direct materials ,direct labor and an appropriate allocation of overheads .For contracts where progress billings exceed costs incurred plus recognized profit) less recognized losses ,(the excess is included under liabilities.

e) 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.

In the case of manufactured inventories and work in progress ,cost includes an appropriate share of production overheads based on normal operating capacity.

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.

f) 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.

g) 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. Subequent 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 conslidated 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 equipments till the date of changing the use.

h) Properties held for trading

Properties acquired or being developed for sale in the ordinary course of business ,rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost or net realizable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognized in consolidated statement of profit or loss on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading is charged to other operating expenses.

i) Rights of utilization:

Leasehold right represents the Group‘s right to use a leased lands from the State of Kuwait . It is recognized initially at cost ,and certain rights of utilization subsequently are measured at cost less impairment in value.

j) 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified in the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

	Years
Buildings	20
Motor vehicles	10 – 3
Tools	5 – 3
Furniture and fixtures	5 – 3
Computers and equipments	5 – 3

Machinery and equipments for factories are depreciated based on units of production method.

Capital work in progress is stated at cost and will be transferred to relevant class of property, plant and equipment on completion.

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.

k) Business combinations and goodwill:

- Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39: Financial Instruments: Recognition and Measurement. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

- 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 remeasurement.

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.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(f).

l) 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.

m) Provision for 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.

n) 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.

o) 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.

p) 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.

q) 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.

- Sales

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.

- Rendering of services

Revenue is recognized when the service is rendered.

- Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

- 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.

- 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.

- Other income

Other income are recognized on accrual basis.

r) 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.

s) 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.

t) 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.

(i) Finance Lease

(a) The Group as lessee

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.

(ii) Operating lease

(a) The Group as lessor

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.

(b) The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

u) 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.

v) 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.

w) 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.

x) 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.

y) Contingencies:
Contingent liabilities are not recognized in the cnsolidated 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.

z) 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.

aa) Dividend distribution to shareholders:
The Group 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.

ab) 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) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Classification of lands

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

- **Properties held for trading**

  When the intention of the Group is to sell land in the ordinary course of business, the land is classified as properties held for trading.

- **Work in progress**

  When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

- **Investment properties**

  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.

(iv) 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.

(v) 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”.

(vi) Impairment of financial assets

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.

(vii) Application of IFRIC 15 – Agreements for the construction of real estate.

The determination whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue require significant judgment.

(viii) Business combinations.

At the time of Group’s acquisition to subsidiaries, the Group considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

(ix) Control assessment

When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.

(x) Material non-controlling interests

The Group's management considers any non-controlling interests which accounts for 5% or more of the related subsidiary's equity as material. Disclosures pertaining to those non-controlling interests are set out in Note (31).

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 financial assets:

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) Long term contracts:

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) 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.

(v) Revaluation 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:

a- 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.

b- 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.

(vi) 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. Accounts receivable and other debit balances

	2016	2015
Trade receivables (a)	**23,538,784**	19,423,506
Provision for doubtful debts (b)	**(9,658,694)**	(9,402,198)
	13,880,090	10,021,308
Cheques under collection	**1,405,599**	1,184,289
Advance payments	**2,576,174**	2,459,921
Prepaid expenses	**1,138,902**	606,894
Retentions receivable	**1,499,964**	2,249,203
Refundable deposits	**171,014**	159,883
Letter of credit	**289,691**	752,537
Others	**476,429**	388,553
	21,437,863	17,822,588

a) Trade receivables:

As of December 31, 2016, trade receivables amounting to KD 9,658,694 (2015 – KD 9,402,198) were impaired and provided for.

The aging analysis of these trade receivables is as follows:

	1 – 6 months	6 – 12 months	Impaired Over one year	Total
2016	**7,402,683**	**6,477,407**	**9,658,694**	**23,538,784**
2015	5,827,051	4,194,257	9,402,198	19,423,506

b) Provision for doubtful debts:

Provision for doubtful debt movement is as follows:

	2016	2015
Balance at the beginning of the year	9,402,198	8,746,962
Effect of consolidation of a subsidiary	-	2,899
Provision charge for the year (Note 27)	246,000	606,961
Utilized in the year	(959)	(1,000)
Foreign currency translation adjustments	11,455	46,376
Balance at the end of the year	9,658,694	9,402,198

c) 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.

4. Gross amount due from (to) customers for contract work

	2016	2015
Contract costs incurred to date plus recognized profits	18,996,936	17,594,367
Progress billings	(19,652,267)	(18,042,945)
	(655,331)	(448,578)
Represented by:		
Gross amount due from customers for contract work	2,026,169	2,215,887
Gross amount due to customers for contract work	(2,681,500)	(2,664,465)
	(655,331)	(448,578)

5. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates and other related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position	Major shareholders	Associate	Other related parties	**2016**	2015
Due from related parties	307,274	2,259,349	9,426,786	**11,993,409**	8,755,202
Due to related parties	-	-	44,646	**44,646**	7,311,506

Due from/to related parties are non-interest bearing and payable on demand.

Compensation to key management personnel

	2016	2015
Short term benefits	**266,641**	239,977
Termination benefits	**6,303**	5,672

6. Inventories

	2016	2015
Raw materials	**23,116,669**	13,509,762
Finished goods	**5,901,405**	4,755,170
Spare parts	**3,276,471**	3,587,910
	32,294,545	21,852,842
Provision for slow moving inventories (a)	**(437,624)**	(437,539)
	31,856,921	21,415,303

(a) The movement on provision for slow moving inventory is as follows:

	2016	2015
Balance at beginning of year	437,539	437,107
Effect of consolidation of a subsidiary	-	1,378
Provision charge for the year (Note 27)	-	8,207
Utilized during the year	-	(9,350)
Foreign currency translation adjustments	85	197
Balance at end of the year	437,624	437,539

7. Properties held for trading

	2016	2015
Balance at beginning of year	11,715,773	6,544,956
Effect of consolidation of a subsidiary (a)	-	4,384,528
Additions during the year	328,589	246,244
Foreign currency translation adjustments	104,356	540,045
Balance at end of the year	12,148,718	11,715,773

8. Financial assets available for sale

	2016	2015
Financial assets in unquoted shares	863,303	1,011,713
	863,303	1,011,713

The movement during the year is as follows:

	2016	2015
Balance at the beginning of the year	1,011,713	1,257,791
Disposals	-	(64,163)
Impairment loss in value (Note 26)	(148,410)	(181,915)
Balance at the end of the year	863,303	1,011,713

Investments available for sale are denominated in Kuwait Dinars.

It was not possible to reliably measure the fair value of investment in unquoted shares amounting to KD 863,303 (2015 - KD 1,011,713) due to non-availability of a reliable method that could be used to determine the fair value of such financial assets. Accordingly, they were stated at their cost less impairment losses.

9. Investment in associates

The investment in associates consists of the following:

	Country of Incorporation	Main activities	Ownership percentage % 2016	Ownership percentage % 2015	2016	2015
Al-Masaken International for Real Estate Development -K.S.C. (Public)	State of Kuwait	Real Estates	**35**	35	**3,404,545**	7,834,666
ACICO Kuwaiti Syria Company - W.L.L.	Syria	Industrials	**50**	50	**-**	18,263
					3,404,545	7,852,929

The movement during the year is as follows:

	2016	2015
Balance at the beginning of the year	**7,852,929**	12,913,876
Group's share of results from associates	**(678,593)**	(648,570)
Group's share of other comprehensive loss from associates	**(309,732)**	(190,235)
Group's share of change in equity of an associate	**58,204**	(66,152)
Impairment loss on investment in associate	**(18,263)**	-
Cash dividends received from an associate	**-**	(840,000)
Capital reduction (a)	**(3,500,000)**	-
Transferred to subsidiaries	**-**	(3,315,990)
Balance at the end of the year	**3,404,545**	7,852,929

a) Based on decision of extraordinary General Assembly meeting for Al-Massaken international for Real estate held on May 18, 2016, it was approved to decrease the capital from KD 20,000,000 to KD 10,000,000 in same percentage of shareholding. Accordingly, the Group has recorded capital reduction amounting to KD 3,500,000, which represent the share of Group investment.

Summarized financial information for associate is as follows:

Al-Masaken International for Real Estate Development -K.S.C.(Public)

Summarized statement of financial position

	2016	2015
Current assets	12,514,807	25,418,619
Non-current assets	12,302,936	13,780,787
Current liabilities	(8,701,831)	(8,169,077)
Non-current liabilities	(5,321,320)	(7,578,247)
Net Assets	10,794,592	23,452,082
Group's ownership percentage	35%	35%
Elimination of profit resulted from transactions with the Parent Company	(323,666)	(323,666)
Other adjustments	(49,897)	(49,897)
Carrying value of Al Masaken International for Real Estate Development – K.S.C. (Public)	3,404,545	7,834,666

Summarized statement of profit or loss

	2016	2015
Operating income	2,364,319	4,367,796
Operating cost	(2,547,011)	(4,033,587)
Other expenses	(1,838,858)	(2,757,045)
Other income	82,712	2,094,842
Net loss	(1,938,838)	(327,994)
Other comprehensive loss	(718,652)	(502,319)
Total comprehensive loss	(2,657,490)	(830,313)
Share of result from associate	(678,593)	(648,570)
Share of associate's other comprehensive loss	(251,528)	(175,812)
Dividends received	-	840,000

10. Investment properties

	2016	2015
Balance at the beginning of the year	**195,077,637**	173,146,618
Effect of consolidation of a subsidiary	**-**	15,610,137
Additions	**989,539**	-
Disposal	**(1,279,524)**	-
Changes in fair value of investment properties (Note 24)	**303,830**	(56,916)
Foreign currency translation adjustments	**1,639,201**	6,377,798
Balance at the end of the year	**196,730,683**	195,077,637

Investment properties are pledged in favor of local banks against term loans and murabaha payable Notes 15,16.

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, valuers 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	Level 3
Building	Discounted cash flow	-	181,671,709
Lands	Sales comparison	15,058,974	-
Total		15,058,974	181,671,709

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

11. Right of utilization of leasehold land

Right of utilization of leasehold land represented two pieces of land inside State of Kuwait, the first land is located in Sulaibiya Area with amount of KD 12,050,000 and the second land is located in Shuaiba Industrial Area with an amount of KD 378,329 and the contracts will end on October 12, 2021 and October 15, 2021 respectively and are renewable.

12. Property, plant and equipment

	Buildings	Machinery and equip-ments	Motor vehi-cles	Tools	Furniture and fixtures	Computers and equip-ments	Capital work in progress	Total
Cost:								
As of January 1, 2016	23,425,681	45,731,022	19,408,533	1,062,102	2,308,094	756,990	16,279,555	108,971,977
Effect of consolidation of a subsidiary	-	-	-	-	40,045.	-	3,428,653	3,468,698
Additions	513,629	2,066,049	3,415,741	159,960	227,729	69,075	10,570,346	17,022,529
Disposals	-	(342,903)	(711,392)		(582,647)			(1,636,942)
Transferred from capital work in progress	1,896,082	2,440,198	-	-	-	-	(4,336,280)	-
Foreign currency translation adjustments	122,120	183,481	4,336	1,435	8,499	1,312	41,120	362,303
As of December 31, 2016	**25,957,512**	**50,077,847**	**22,117,218**	**1,223,497**	**2,001,720**	**827,377**	**25,983,394**	**128,188,565**
Accumulated depreciation:								
As of January 1, 2016	6,843,678	11,700,233	6,848,265	507,263	1,048,661	691,499	-	27,639,599
Charge for the year	1,061,815	1,442,371	2,098,047	131,226	374,798	49,668	-	5,157,925
Related to disposals	-	(35,725)	(636,669)	-	(222,071)	-	-	(894,465)
Foreign currency translation adjustments	35,532	21,703	3,345	928	5,363	1,155	-	68,026
As of December 31, 2016	**7,941,025**	**13,128,582**	**8,312,988**	**639,417**	**1,206,751**	**742,322**	**-**	**31,971,085**
Net book value:								
As of December 31, 2016	**18,016,487**	**36,949,265**	**13,804,230**	**584,080**	**794,969**	**85,055**	**25,983,394**	**96,217,480**
As of December 31, 2015	16,582,003	34,030,789	12,560,268	554,839	1,259,433	65,491	16,279,555	81,332,378

The Company's factory buildings are constructed on land leased from the Government for 25 years ending on June 30, 2017 and is renewable.Cost of sales include depreciation charge for the year amounting to KD 4,565,336 (2015 – KD 3,698,478).

Property, plant and equipment with net book value of KD 9,116,221 (2015 – KD 9,302,267) are first degree pledged in favor of local banks against term loans.

Capital work in progress represents expansion of the Groups' factories for new production lines.

13. Due to banks

Annual interest rate on bank overdrafts varies from 1.5% to 2% (2015 – from 1.5% to 2%), over the Central Bank of Kuwait discount rate and are payable on demand.

14. Accounts payable and other credit balances

	2016	2015
Trade payable	**12,746,070**	12,969,512
Payable for acquisition of a subsidiary (a)	**3,048,188**	3,650,600
Advance payments from customers and deposits from others	**1,933,774**	2,845,578
Post dated cheques	**407,983**	333,786
Subcontractors and retention payables	**5,511,165**	5,525,305
Accrued staff leave	**1,006,363**	899,486
Payable to Kuwait Foundation for Advancement of Sciences	**559,293**	485,837
National Labor Support Tax payable	**600,062**	610,108
Zakat payable	**484,545**	421,731
Board of Directors' remuneration payable	**87,000**	87,000
Provisions for lawsuits, projects and maintenance work	**741,626**	778,464
Accrued expenses and others	**1,774,784**	1,737,767
	28,900,853	30,345,174

(a) Payable for acquisition of a subsidiary resulted from acquiring of 100% of Acico Indurtires for Precast and Constructions Company K.S.C. (Closed formerly as Industrial Building & Construction Co. K.S.C. (Closed)) by ACICO Construction Co. K.S.C. (Closed) (Subsidiary) during the year ended December 31, 2015.

Accounts payable and other credit balances represent as follows:

	2016	2015
Current portion	**22,829,356**	23,527,751
Non-current portion	**6,071,497**	6,817,423
	28,900,853	30,345,174

15. Term loans

This item represents as follows:

	2016	2015
Current portion	**29,763,354**	33,235,429
Non-current portion	**152,191,974**	126,123,364
	181,955,328	159,358,793

The term loans carry interest rate ranging from 1.25% to 2.50% (2015 – 1.5% to 2.75%) per annum over the Central Bank of Kuwait discount rate as of December 31,2016 .

The loans are guaranted by certain assets as follows :

	2016	2015
First degree pledge for Investment properties carried at fair value	**150,479,993**	148,619,899
First degree pledge for property, plant and equipment	**9,116,221**	9,302,267
	159,596,214	157,922,166

16. Murabaha payable

	2016	2015
Murabaha payable	**55,493,140**	50,690,311
Less: Unamortized future finance charges	**(1,830,298)**	(1,148,561)
Present value of Murabaha payable	**53,662,842**	49,541,750

Represented as:

	2016	2015
Current portion	**9,160,000**	8,373,750
Non-current portion	**44,502,842**	41,168,000
Present value of Murabaha payable	**53,662,842**	49,541,750

Murabaha payable carries finance charges ranging from 3.75% to 4.25% (2015 – from 3.25% to 4.5%) per annum.

Investment property with fair value of KD 46,250,690 (2015 – KD 46,457,738) are pledged against Murabaha payable in addition to joint guarantees.

17. Provision for end of service indemnity

	2016	2015
Balance at the beginning of the year	**2,794,650**	2,118,534
Effect of consolidation of a subsidiary	**-**	46,345
Charge for the year	**726,838**	826,000
Paid during the year	**(335,292)**	(212,966)
Foreign currency translation adjustments	**3,433**	16,737
Balance at the end of the year	**3,189,629**	2,794,650

18. Share capital

Authorized, issued and fully paid up capital amounted to KD 28,800,354 (December 31, 2015 – KD 27,428,908) distributed into 288,003,538 shares (December 31, 2015 – 274,289,084 shares) of 100 fils each and all shares are in cash.

Pursuant to a memorandum issued from the department of shareholding companies No. 41903 dated July 11, 2016 based on the decision of the Extraordinary General Assembly meeting held on May 29, 2016, the following were approved:

a) Increase the Parent Company's capital from KD 27,428,908 to KD 28,800,354, an increase amounting to KD 1,371,446, through the distribution of bonus shares of 13,371,446 shares with the percentage of 5% of the share capital by 5 shares for every 100 shares allocated to the existing shareholders in the Parent Company's records at the date of the General Assembly meeting.

b) Amendment article No. (5) of Memorandum of Incorporation and article No. (6) of Article of Association of the Parent Company to be as follows : "Company's capital has been determined of KD 28,800,354 distributed into 288,003,538 shares of 100 fils each and all shares are in cash".

19. 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.

20. 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 equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration 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 in cases stipulated by Law and the Parent Company's Articles of Association.

21. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration 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.

As per the decision of the Board of Directors, it was decided not to transfer to voluntary reserve.

22. Treasury shares

	2016	2015
Number of shares	**1,250,464**	1,190,919
Percentage of issued shares	**0.43**	0.43
Market value (KD)	**325,121**	345,256
Cost (KD)	**432,774**	432,774

The Group's management has allotted an amount equal to treasury shares balance from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during treasury shares holding period. Treasury shares are not pledged.

23. Segment reporting

Following are the segment information for the main activities of the Group:

	December 31, 2016					
	Industrial	Real estate	Contracting	Total	Entries to eliminate inter-company transactions / non-controlling interest	Total
Operating revenue	**100,753,652**	**-**	**12,174,210**	**112,927,862**	**(21,880,522)**	**91,047,340**
Operating cost	**80,549,859**	**-**	**10,206,980**	**90,756,839**	**(20,714,480)**	**70,042,359**
Net real estate revenue	**-**	**7,578,903**	**-**	**7,578,903**	**-**	**7,578,903**
Finance charges	**(3,715,009)**	**(4,648,570)**	**-**	**(8,363,579)**	**-**	**(8,363,579)**
Depreciation	**(533,588)**	**(4,593)**	**(54,408)**	**(592,589)**	**-**	**(592,589)**
Net profit for the year	**6,759,216**	**1,788,834**	**780,220**	**9,328,270**	**(2,089,939)**	**7,238,331**
Total assets	**217,832,281**	**225,803,127**	**6,664,219**	**450,299,627**	**(49,851,050)**	**400,448,577**
Total liabilities	**80,641,562**	**197,058,535**	**5,831,249**	**283,531,346**	**-**	**283,531,346**

	December 31, 2015					
	Industrial	Real estate	Contracting	Total	Entries to eliminate inter-company transactions / non-controlling interest	Total
Operating revenue	98,580,587	-	15,793,641	114,374,228	(25,860,335)	88,513,893
Operating cost	80,634,264	-	13,689,242	94,323,506	(24,347,386)	69,976,120
Net real estate revenue	-	9,061,503	-	9,061,503	-	9,061,503
Finance charges	(2,921,414)	(4,768,762)	-	(7,690,176)	-	(7,690,176)
Depreciation	(374,628)	-	(42,991)	(417,619)	-	(417,619)
Net profit for the year	5,743,620	3,263,132	734,576	9,741,328	(1,361,262)	8,380,066
Total assets	180,804,574	226,577,812	5,621,052	413,003,438	(41,897,065)	371,106,373
Total liabilities	58,162,731	196,168,237	4,992,747	259,323,715	1,032,885	260,356,600

24. Net real estate revenue

	2016	2015
Change in fair value of investment properties (Note 10)	303,830	(56,916)
Gain on sale of investment properties	107,125	
Net rental revenue	7,167,948	9,118,419
	7,578,903	9,061,503

25. Staff cost

Staff cost in included in consolidated statement of profit or loss as following:

	2016	2015
Operating cost	9,834,724	9,313,944
General and administrative expenses	5,762,926	5,266,832
	15,601,650	14,580,776

26. Net loss from financial assets

	2016	2015
Tawaroq loss	-	(18,557)
Impairment loss in value of financial assets available for sale	(148,410)	(181,915)
Realized loss on sale of financial assets available for sale	-	21,494
	(148,410)	(178,978)

27. Provisions

	2016	2015
Provision for doubtful debts (Note 3-B)	246,000	606,961
Provision for slow moving inventories (Note 6-a)	-	8,207
	246,000	615,168

28. Board of Directors' remuneration

The Board of Directors' meeting held on January 10, 2017 proposed a remuneration for Board of Directors' members amounting to KD 45,000 for the year ended December 31, 2016.

The proposed Board of Directors' remuneration is subject to the approval of the Parent Company's Shareholders' General Assembly.

The Parent Company's Shareholders General Assembly meeting held on May 29, 2016 approved a remuneration for Board of Directors' members with amount of KD 45,000 for the year ended December 31, 2015.

29. Earnings per share attributable to parent company's shareholders

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

	2016	2015
Net profit for the year attributable to Parent Company's shareholders	7,238,331	8,380,066
	Shares	Shares
Number of shares outstanding:		
Number of issued shares at beginning of the year	274,289,084	274,289,084
Add: Bonus shares	13,714,454	13,714,454
Deduct: Weighted average number of treasury shares	(1,250,464)	(1,250,464)
Weighted average number of shares outstanding at end of the year	286,753,074	286,753,074
	Fils	Fils
Earnings per share attributable to Parent Company's shareholders	25.24	29.22

Basis earning per share for the year ended December 31, 2015 is 30.69 fils before restatement for the issue of bonus shares.

30. General assembly and dividend distribution

Cash dividend

The Board of Directors' meeting held on January 10, 2017 recommended a cash dividend of 15 fils per share. This recommendation is subject to the approval of the Parent Company's Ordinary Shareholders Annual General Assembly.

Bonus shares

The Board of Directors' meeting held on January 10, 2017 recommended bonus shares of 5 shares for every 100 shares held. This recommendation is subject to the approval of the Parent Company's Ordinary Shareholders Annual General Assembly.

The Parent Company's Shareholders Annual General Assembly meeting held on May 29, 2016 had approved the distribution of cash dividends of 15 fils per share and 5 bonus shares for every 100 shares for the year ended December 31, 2015.

The Parent Company's Shareholders Annual General Assembly meeting held on April 14, 2015 had approved the distribution of cash dividends of 15 Fils per share and 5 bonus shares for every 100 shares for the year ended December 31, 2014.

31. Principal subsidiaries with major non - controlling interests which are material to the Group

Name of subsidiary	Country of incorporation	Principal activities	Ownership interests held by the Group		Ownership interests held by the NCI	
			2016	2015	**2016**	2015
ACICO for Construction K.S.C. (Closed)	State of Kuwait	Concrete constructions and contracting	**75%**	75%	**25%**	25%

Summarized information for principal subsidiaries with major non - controlling interests which are material to the Group.

ACICO for Construction - K.S.C. (Closed)

Summarized statement of financial position:

	2016	2015
Current assets	**49,291,539**	36,396,419
Current liabilities	**(46,444,366)**	(40,661,931)
Net current assets	**2,847,173**	(4,265,512)
Non-current assets	**59,432,171**	51,376,478
Non-current liabilities	**(42,800,005)**	(33,473,771)
Net non-current assets	**16,632,166**	17,902,707
Net Assets	**19,479,339**	13,637,195
Net assets attributable to shareholders	**14,609,505**	10,227,896
Net assets attributable to NCI	**4,869,834**	3,409,299

Summarized statement of profit or loss and other comprehensive income

	2016	2015
Revenue	**67,816,569**	65,061,757
Net profit for the year	**8,342,147**	5,665,427
Total comprehensive income for the year	**8,342,147**	5,665,427
Total comprehensive income attributable to equity holders of Parent Company	**6,256,610**	4,249,070
Total comprehensive income attributable to NCI	**2,085,537**	1,416,357

32. Legal cases

There are certain lawsuits raised by / against the group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group, there will be no material adverse impact on the Group's consolidated financial statements, and hence, no additional provisions were recorded in the Group's records due to the sufficiency of the currently recorded provisions for those claims as of the reporting date (Note 14).

33. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, receivables, financial assets, due from/to related parties, due to banks, term loans, murabaha payable 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. The effective interest rates and the periods in which interest 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.

Year	Increase / (decrease) in interest rate	Balance as at December 31	Effect on consolidated statement of profit or loss
2016			
Due to banks	± 0.5% basis points	**11,627,612**	**± 58,138**
Term loans	± 0.5% basis points	**181,955,328**	**± 909,777**
Murabaha payable	± 0.5% basis points	**53,662,842**	**± 268,314**

2015			
Due to banks	± 0.5% basis points	7,067,985	± 35,340
Term loans	± 0.5% basis points	159,358,793	± 796,794
Murabaha payable	± 0.5% basis points	49,541,750	± 247,709

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, receivables and due from related parties.

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 following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between the following foreign currencies and Kuwaiti Dinar.

2016	Increase / (decrease) against KD	Effect on consolidated statement of profit or loss (Kuwaiti Dinar)	Effect on consolidated comprehensive income (Kuwaiti Dinar)
AED	± 5 %	± 406,844	± 891,276
SAR	± 5 %	± 2,607	± 80,688
QAR	± 5 %	± 8,355	± 129,682

2015	Increase / (decrease) against KD	Effect on consolidated statement of profit or loss (Kuwaiti Dinar)	Effect on consolidated comprehensive income (Kuwaiti Dinar)
AED	± 5 %	± 400,832	± 787,104
SAR	± 5 %	± 2,566	± 79,418
QAR	± 5 %	± 8,248	± 128,018

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 the investments that are readily realizable. Maturity analysis of financial liabilities is disclosed in Note 36.

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.

34. 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.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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.

At December 31, the fair value of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in (Note 8). The management of the Group has assessed that fair value of the financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of investment properties is mentioned in (Note 10).

During the year there were no transfers between Level 1, Level 2 and Level 3.

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

35. 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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2016	2015
Due to banks	**11,627,612**	7,067,985
Loans and Murabaha payable	**235,618,170**	208,900,543
Less: cash on hand and at banks	**(5,487,825)**	(2,211,324)
Net debt	**241,757,957**	213,757,204
Total equity	**116,917,231**	110,749,773
Total capital resources	**358,675,188**	324,506,977
Gearing Ratio	**67.40%**	65.87%

36. Maturity Analysis of Assets and Liabilities

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets available for sale, investment properties and inventory properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities is as follows:

At 31 December 2016

ASSETS	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
Cash on hand and at banks	5,487,825		-	**5,487,825**
Accounts receivable and other debit balances	-	21,437,863	-	**21,437,863**
Gross amount due from customers for contract work	-	2,026,169	-	**2,026,169**
Due from related parties	2,987,343	9,006,066	-	**11,993,409**
Inventories	4,127,218	27,729,703	-	**31,856,921**
Properties held for trading	-	12,148,718	-	**12,148,718**
Financial assets available for sale	-	-	863,303	**863,303**
Investment in associates	-	-	3,404,545	**3,404,545**
Investment properties	-	-	196,730,683	**196,730,683**
Right of utilization of leasehold lands	-	-	12,428,329	**12,428,329**
Property, plant and equipment	-	-	96,217,480	**96,217,480**
Goodwill	-	-	5,853,332	**5,853,332**
Total assets	**12,602,386**	**72,348,519**	**315,497,672**	**400,448,577**
Liabilities				
Due to banks	-	11,627,612	-	**11,627,612**
Accounts payable and other credit balances	1,731,170	21,098,186	6,071,497	**28,900,853**
Dividends payable to shareholders	1,468,936	-	-	**1,468,936**
Gross amount due to customers for contract work	2,681,500	-	-	**2,681,500**
Due to related parties	-	-	44,646	**44,646**
Term loans	-	29,763,354	152,191,974	**181,955,328**
Murabaha payable	-	9,160,000	44,502,842	**53,662,842**
Provision for end of service indemnity	-	-	3,189,629	**3,189,629**
Total liabilities	**5,881,606**	**71,649,152**	**206,000,588**	**283,531,346**

At 31 December 2015

ASSETS	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
Cash on hand and at banks	2,211,324		-	2,211,324
Accounts receivable and other debit balances	-	17,822,588	-	17,822,588
Gross amount due from customers for contract work	-	2,215,887	-	2,215,887
Due from related parties	-	8,755,202	-	8,755,202
Inventories	-	21,415,303	-	21,415,303
Properties held for trading	-	11,715,773	-	11,715,773
Financial assets available for sale	-	-	1,011,713	1,011,713
Investment in associates	-	-	7,852,929	7,852,929
Investment in unconsolidated subsidiary	-	-	4,289,529	4,289,529
Investment properties	-	-	195,077,637	195,077,637
Right of utilization of leasehold lands	-	-	12,428,329	12,428,329
Property, plant and equipment	-	-	81,332,378	81,332,378
Goodwill	-	-	4,977,781	4,977,781
Total assets	2,211,324	61,924,753	306,970,296	371,106,373
Liabilities				
Due to banks	-	7,067,985	-	7,067,985
Accounts payable and other credit balances	1,653,099	21,874,652	6,817,423	30,345,174
Dividends payable to shareholders	1,272,277	-	-	1,272,277
Gross amount due to customers for contract work	-	2,664,465	-	2,664,465
Due to related parties	132,413	7,179,093	-	7,311,506
Term loans	-	33,235,429	126,123,364	159,358,793
Murabaha payable	-	8,373,750	41,168,000	49,541,750
Provision for end of service indemnity	-	-	2,794,650	2,794,650
Total liabilities	3,057,789	80,395,374	176,903,437	260,356,600

37. Contingent liabilities

Contingent liabilities for the Group as at the end of reporting period are as follows:

	2016	2015
Letters of guarantee	**14,627,057**	13,171,150
Letters of credit	**4,813,572**	10,845,041
	19,440,629	24,016,191

38. 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.