Commercial Facilities Company - S.A.K.P.
and Subsidiaries
State of Kuwait

شركة التسهيلات التجارية ش.م.ك
COMMERCIAL FACILITIES CO. s.a.k

Consolidated Financial Statements and Independent Auditors' Report Year Ended 31 December 2015

Contents

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Commercial Facilities Company – S.A.K.P.
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Commercial Facilities Company – S.A.K.P. ("the Parent Company") and subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the Parent Company's Board of Directors report 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 the information that is required by the Companies Law No. 1 of 2016, and of 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 violation of the Companies Law No. 1 of 2016, or of the Memorandum of Incorporation and Articles of Association, as amended have occurred during the financial year ended 31 December 2015 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Market Authority and its related regulations during the financial year ended 31 December 2015 that might have had a material effect on the business of the Group or on its financial position.

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Kuwait
15 February 2016

Consolidated Statement of Financial Position as at 31 December 2015

	Notes	2015 KD'000	2014 KD'000
ASSETS			
Cash and bank balances	3	30,367	25,659
Other receivables and prepayments		1,379	744
Instalment debtors	4	253,621	233,020
Financial assets at fair value through profit or loss	5	8,132	8,966
Available-for-sale investments	5	22,762	15,782
Investments in associates	6	12,919	12,695
Investment property	8	1,739	1,952
Property and equipment	9	2,293	2,179
Total assets		333,212	300,997
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	3	556	96
Trade creditors and accrued liabilities	10	6,473	6,006
Term loans	11	153,811	96,312
Bonds	12	-	25,000
Provision for staff indemnity		4,145	3,854
Total liabilities		164,985	131,268
Equity			
Share capital	13	53,676	53,676
Share premium		1,433	1,433
Legal reserve	14	46,566	45,660
Voluntary reserve	15	48,093	48,093
Fair value reserve		2,923	2,316
Foreign currency translation reserve		949	581
Land revaluation reserve		899	704
Treasury shares	16	(10,945)	(9,987)
Gain on sale of treasury shares		47	47
Retained earnings		24,586	27,206
Total equity		168,227	169,729
Total liabilities and equity		333,212	300,997

COMMERCIAL FACILITIES CO. (S.A.K.)

Ali Ibrahim Marafi
Chairman

Abdallah Saud Abdulaziz Al-Humaidhi
Vice Chairman and Chief Executive Officer

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

	Notes	2015 KD'000	2014 KD'000
Income from instalment credit		17,497	16,327
Net gains from investments	5	-	186
Share of results of associates	6	754	987
Other income		1,625	1,452
Gain on sale of investment property	8	68	-
Unrealized gain from change in fair value of investment properties	8	-	79
Total other income		2,447	2,704
Borrowing costs		(3,903)	(3,519)
Staff costs and related expenses		(2,741)	(2,706)
General and administrative expenses		(1,076)	(1,702)
Net foreign exchange loss		(235)	(176)
Net losses from investments	5	(747)	-
Total other expenses		(8,702)	(8,103)
Profit before provision for credit losses and impairment losses		11,242	10,928
(Provision)/ reversal of provision for doubtful debts, net of released amount	4	(1,966)	811
Impairment losses on available-for-sale investments		(216)	(251)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		9,060	11,488
KFAS	17	(91)	(115)
NLST and Zakat	18	(291)	(349)
Directors' remuneration	19	(105)	(126)
Profit for the year		8,573	10,898
Earnings per share	20	17 Fils	21 Fils

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

	2015	2014
	KD'000	KD'000
Profit for the year	8,573	10,898
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation gain on land	195	-
Items that may be reclassified subsequently to profit or loss		
Foreign exchange gain	368	351
Available-for-sale investments		
Change in fair value of available-for-sale investments	391	(443)
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	216	251
Other comprehensive income for the year	1,170	159
Total comprehensive income for the year	9,743	11,057

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

شركة التسهيلات التجارية ش.م.ك
COMMERCIAL FACILITIES CO. s.a.k

Consolidated Statement of Changes in Equity - year ended 31 December 2015

	Share capital	Share premium	Legal reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Land revaluation reserve	Treasury shares	Gain on sale of treasury shares	Retained earnings	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 31 December 2013	53,676	1,433	44,511	48,093	2,508	230	704	(9,987)	47	27,744	168,959
Profit for the year	-	-	-	-	-	-	-	-	-	10,898	10,898
Foreign exchange gains	-	-	-	-	-	351	-	-	-	-	351
Available-for-sale investments											
Change in fair value of available-for-sale investments	-	-	-	-	(443)	-	-	-	-	-	(443)
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	-	-	-	-	251	-	-	-	-	-	251
Total comprehensive income for the year	-	-	-	-	(192)	351	-	-	-	10,898	11,057
Dividends (See note 19)	-	-	-	-	-	-	-	-	-	(10,287)	(10,287)
Transfer to reserves	-	-	1,149	-	-	-	-	-	-	(1,149)	-
Balance at 31 December 2014	53,676	1,433	45,660	48,093	2,316	581	704	(9,987)	47	27,206	169,729
Profit for the year	-	-	-	-	-	-	-	-	-	8,573	8,573
Revaluation increase on land	-	-	-	-	-	-	195	-	-	-	195
Foreign exchange gains	-	-	-	-	-	368	-	-	-	-	368
Available-for-sale investments											
Change in fair value of available-for-sale investments	-	-	-	-	391	-	-	-	-	-	391
Impairment of available-for-sale investments transferred to the consolidated statement of profit or loss	-	-	-	-	216	-	-	-	-	-	216
Total comprehensive income for the year	-	-	-	-	607	368	195	-	-	8,573	9,743
Dividends (See note 19)	-	-	-	-	-	-	-	-	-	(10,287)	(10,287)
Purchase of treasury shares	-	-	-	-	-	-	-	(958)	-	-	(958)
Transfer to reserves	-	-	906	-	-	-	-	-	-	(906)	-
Balance at 31 December 2015	53,676	1,433	46,566	48,093	2,923	949	899	(10,945)	47	24,586	168,227

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

	Note	2015 KD'000	2014 KD'000
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		9,060	11,488
Adjustments for:			
Decrease/ (increase) in fair value of financial assets at fair value through profit or loss		834	(47)
Reversal of provision for doubtful debts, net of released amount		1,966	(811)
Depreciation		156	191
Realised gain on sale of available-for-sale investments		(87)	(139)
Impairment loss on available-for-sale investments		216	251
Interest income		(683)	(606)
Dividend income		(765)	(654)
Share of results of associates		(754)	(987)
Provision for staff indemnity		343	247
Unrealised loss on derivative financial instruments		92	-
Foreign currency exchange gain on investments		(8)	(14)
Unrealised gain on derivative financial instruments		-	(42)
Fair value gain on investment property		-	(79)
Gain on sale of investment property		(68)	-
		10,302	8,798
Increase in instalment debtors		(22,567)	(11,051)
(Increase)/ decrease in other receivables and prepayments		(727)	909
Decrease in trade creditors and accrued liabilities		(270)	(2,340)
Cash used in operations		(13,262)	(3,684)
Staff indemnity paid		(52)	(587)
Interest received		683	606
Dividends received		765	654
Net cash used in operating activities		(11,866)	(3,011)
INVESTING ACTIVITIES			
Increase in term deposits		(1,367)	(6,082)
Dividends from associate		530	530
Purchase of financial assets at fair value through profit or loss		-	(214)
Purchase of available-for-sale investments		(6,565)	(666)
Purchase of investment in property		(1,739)	-
Purchase of property and equipment		(75)	(35)
Proceeds from sale of available-for-sale investments		439	731
Proceeds from sale of investment property		2,020	-
Net cash used in investing activities		(6,757)	(5,736)
FINANCING ACTIVITIES			
Proceeds from in term loans		57,499	40,680
Bond repayment		(25,000)	(25,000)
Dividends paid		(10,037)	(10,312)
Purchase of treasury shares		(958)	-
Net cash from financing activities		21,504	5,368
Net increase/ (decrease) in cash and cash equivalents		2,881	(3,379)
Cash and cash equivalents at beginning of the year		13,124	16,503
Cash and cash equivalents at end of the year	3	16,005	13,124

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

1. Incorporation and principal activities

Commercial Facilities Company – S.A.K.P. ("the Parent Company") was incorporated on 16 January 1977 in accordance with the Commercial Companies Law in the State of Kuwait. The Company's shares were listed on the Kuwait Stock Exchange on 29 September 1984.

The Parent Company is regulated by the Central Bank of Kuwait ("CBK") and the Kuwait Capital Market Authority ("CMA").

The Parent Company and its subsidiaries (collectively "the Group") have been established to perform the following objectives within and outside the State of Kuwait:

1) Providing short and medium term loans to individuals and entities with the aim of financing purchase of vehicles, equipment and home appliances.
2) Financing consumer products of raw materials, manufactured or semi-manufactured.
3) Providing short, medium and long term loans to individuals to finance the purchase of land and properties.
4) Providing operating or financing lease for vehicles and equipment.
5) Providing necessary guarantees related to the Parent Company objectives.
6) Establishing companies, associated to the original company, specialised in marketing to collaborate with products' agents and insurance companies in return for commission or discount that correlate with the volume of sales and insurance achieved with the agent.
7) Investing in real estate, industrial, agricultural and other economic sectors through participation in the establishment of specialised companies or the purchase of their shares.
8) Purchasing and selling of financial securities such as shares and bonds for the Parent Company's account being a part of the Parent Company's investment portfolio.
9) Acting as intermediary in managing loans and syndicated loans on commission basis.

The Parent Company is prohibited, in its course of action to accomplish its objectives, to open current or saving accounts for others or accept deposits, open letters of credit or to represent foreign banks.

However, without violation of the above prohibition, the Parent Company has the right to have an interest in or collaborate by all means with organisations dealing and involved in similar businesses or those that can support and help achieve its objectives within or outside the State of Kuwait and also has the right to purchase these organisations or make them affiliated entities.

The address of the Parent Company's registered office is P.O. Box 24284, Safat 13103, State of Kuwait.

On 1 February 2016, the new Companies Law No.1 of 2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the Companies law No. 25 of 2012 and its amendments have been cancelled. However, its Executive Regulations will continue until a new set of Executive Regulations are issued

These consolidated financial statements were authorized for issue by the Board of Directors on 15 February 2016.

2. Basis of preparation and significant accounting policies

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the International Accounting Standard '(IAS) 39: Financial Instruments: Recognition and Measurement' requirement for collective provision, which has been replaced by CBK's requirement for a minimum general provision as described under the accounting policies for impairment and uncollectibility of financial assets.

The consolidated financial statements have been prepared under the historical cost basis of measurement except for the measurement at fair value of financial assets classified as fair value through profit or loss, available-for-sale investments, investment property and land.

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company, rounded to the nearest thousands, except when otherwise stated.

2.2. New standards, interpretations and amendments effective from 1 January 2015

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following new or amended IFRS:

IFRS 3 Business Combinations (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value at each reporting date whether or not they fall within the scope of IAS 39.

IFRS 8 Operating Segments (Effective for annual periods beginning on or after 1 July 2014)

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IAS 40 Investment Property (Effective for annual periods beginning on or after 1 July 2014)

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

These ammendments do not have any impact on the financial position or performance of the Group.

2.3. New standards and interpretations not yet adopted

The following IFRS and Interpretations have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 9 Financial Instruments

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

IFRS 14 Regulatory Deferral Accounts (effective for financial years beginning on or after 1 July 2016)

IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate - regulated activities. The standard is available only for first time adopters of IFRSs who recognised regulatory deferral account balances under their previous Financial reporting standards. The standard is not expected to have any impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)

IFRS 15 specifies how and when an entity will recognize revenue as well as requires the entity to provide users of financial statements with more informative, relevant disclosures. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is not expected to have any impact on the financial position or performance of the Group.

Amendments to IAS 1 Disclosure Initiative (effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The standard is not expected to have any impact on the financial position or performance of the Group.

2.4. Basis of consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries (collectively "the Group") as set out in note 7.

The Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Interests in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest. Non-controlling interest in the acquiree is measured at the proportionate share of the recognized amount of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on disposals of non-controlling interests without loss of control are recorded in equity.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Parent Company.

Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.5. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of due to banks.

2.6. Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally cash and bank balances, other receivables, instalment debtors, financial assets at fair value through profit or loss, available-for-sale investments, due to banks, trade creditors and accrued liabilities, term loans and bonds. In accordance with IAS 39, the Group classifies its financial instruments as "financial assets at fair value through profit or loss", "loans and receivables", "assets-available-for sale" or "financial liability other than at fair value through profit or loss". Management determines the appropriate classification of each instrument at the time of acquisition.

Recognition and de-recognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised using settlement date accounting i.e. the date that the Group receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of profit or loss, or in consolidated statement of profit or loss and other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

A financial asset is de-recognised (in whole or in part) where:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Measurement

All financial assets and liabilities are initially measured at fair value of the consideration given plus transaction costs except that for financial assets classified as financial assets at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the consolidated statement of profit or loss.

On subsequent measurement, financial assets classified as "financial assets at fair value through profit or loss" are measured and carried at fair value. Realised and unrealised gains/ losses arising from changes in fair value are included in the consolidated statement of profit or loss. "Loans and receivables" are carried at amortised cost using the effective yield method, less any provision for impairment. Those classified as "available for sale investments" are subsequently measured at fair value until the investment is sold or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of profit or loss for the year.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only if it is so permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method, less any provision for impairment.

Cash and cash equivalents, Other receivables and Instalment debtors are classified as "loans and receivables".

Financial assets at fair value through profit or loss

Financial assets classified as "at fair value through profit or loss" are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Derivatives are classified as "held for trading" unless they are designated as hedges and are effective hedging instruments.

Available-for-sale investments

Available-for-sale investments are non-derivative investments that are not designated in any another category of financial assets.

After initial recognition, investments which are classified as available-for-sale are measured at fair value or at cost if fair value cannot be reliably measured. Gains and losses arising from subsequent changes in fair value other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in profit or loss and other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in profit and loss and other comprehensive income is included in the consolidated statement of profit or loss for the year.

Financial liabilities other than at fair value through profit or loss

Financial liabilities "other than at fair value through profit or loss" are measured at amortised cost using the effective interest rate method.

2.7. Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting right.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The Group recognises in the consolidated statement of profit or loss its share of the total recognised profit or loss of the associate from the date that influence effectively commences until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investments. Adjustments to the carrying amount may also be necessary for changes in Group's share in the associate arising from changes in the associate's equity and other comprehensive income. The Group's share of those changes is recognised directly in equity or in other comprehensive income as appropriate.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognized as goodwill within the carrying amount of the associate.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of profit or loss.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.8. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

2.9. Property and equipment

Property and equipment (except land) are carried at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment (except land) are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Building	20
Furniture, equipment and others	3-5
Motor vehicles	4

Depreciation commences when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with effect of any changes in estimate accounted for on prospective basis.

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Land is stated at revalued amount as determined by independent valuations undertaken every year. Any revaluation increase arising on the revaluation of land is credited to the land revaluation reserve, except to the extent that it reverses a revaluation decrease for the land previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land is charged as an expense to the extent that it exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation of the land.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

2.10. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.11. Post-employment benefits

The Group provides post-employment benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to a government scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.12. Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the cost of the shares reacquired is charged to equity. When the treasury shares are reissued, gains are credited to a separate account in equity (gain on sale of treasury shares), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares 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.

2.13. Accounting for leases

Where the Company is the lessee

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.14. Fair values

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.

Level 3 - inputs are unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.15. Impairment

2.15.1. Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss.

Financial assets measured at amortised cost

The amount of impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective yield. Losses are recognised in the consolidated statement of profit or loss and reflected in an allowance account against instalment debtors. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provisions is made.

Available for sale investment

Impairment losses on available for sale investment are recognised by reclassifying the losses accumulated in the fair value reserve in equity to consolidated statement of profit or loss. The cumulative loss that is reclassified from equity to consolidated statement of profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in consolidated statement of profit or loss. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in consolidated statement of profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

2.15.2. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market rates and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in 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.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount and is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in the 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.

2.16. Revenue recognition

Interest income from instalment credit

Interest income from instalment credit is included at the outset in the lending agreement with the customer. The customer repays the debt in equal instalments over the period of the agreement. Interest income from instalment credit is recognised over the period of the agreement using the effective interest method. Fees which are considered an integral part of the effective yield of a financial asset are recognised using effective yield method. Once an instalment credit has been written down as a result of an impairment loss, the related interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Commission income

Commission income is recognised equally over the period of the contract to which the commission relates. Income relating to future periods is treated as deferred income and is included in the consolidated statement of financial position as a deduction from the gross value of the instalment debtors. Fee income earned from services provided over a period of time is recognised over the period of service.

Dividend income

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

Other interest income

Other interest income is recognized on effective yield basis. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.17. Foreign currencies

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Any resultant gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in the consolidated statement of profit or loss and other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in the consolidated statement of profit or loss and other comprehensive income.

2.18. Derivative financial instruments

Derivative instruments are initially recognised in the consolidated statement of financial position at cost (including transaction costs) and subsequently measured at their fair value.

The Group enters into foreign exchange forward contracts. Forward foreign exchange contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. The fair value of a derivative includes unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. The resultant gains and losses from derivatives are included in the consolidated statement of profit or loss.

2.19. Contingent liabilities and contingent assets

Contingent assets are not recognised as an asset till realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

2.20. Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

3. Cash and bank balances

	2015	2014
	KD'000	KD'000
Cash on hand	3	1
Bank balances	4,558	925
Deposits	25,806	24,733
Cash and bank balances	30,367	25,659
Less: Deposits with original maturity over three months	(13,806)	(12,439)
Less: Due to banks (bank overdrafts)	(556)	(96)
Cash and cash equivalents as per consolidated statement of cash flows	16,005	13,124

The Group's deposits with local banks denominated in KD amount to KD 12,000 thousand (2014: KD 12,000 thousand) and those denominated in USD and Lebanese Pound with foreign banks based in the Middle East amount to KD 13,806 thousand equivalent (2014: KD 12,733 thousand equivalent).These deposits yield interest ranging from 1.14% to 5.92% (2014: 0.85% to 5.92%) per annum.

4. Instalment debtors

	2015	2014
	KD'000	KD'000
Commercial loans	17,650	14,879
Personal loans	282,002	260,164
	299,652	275,043
Less: deferred income	(25,667)	(23,601)
	273,985	251,442
Less: provision for credit losses – specific	(17,905)	(16,144)
– general	(2,459)	(2,278)
	253,621	233,020

At 31 December 2015, bad instalment debtors amounted to KD 13,803 thousand (2014: KD 13,063 thousand), which are fully provided.

Movement in the provision for credit loss is as follows:

	2015			2014		
	Specifc	General	Total	Specific	General	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 1 January	16,144	2,278	18,422	17,066	2,176	19,242
Written off	(24)	-	(24)	(9)	-	(9)
(Reversal) / charged to consolidated statement of profit or loss	1,785	181	1,966	(913)	102	(811)
Balance at 31 December	17,905	2,459	20,364	16,144	2,278	18,422

Provision for general credit losses are made in accordance with CBK regulations (See note 2).

The instalment debtors are entirely in the State of Kuwait. Repayments due from instalment debtors are as follows:

	2015	2014
	KD'000	KD'000
Due within one year	120,972	113,632
Due after one year	178,680	161,411
	299,652	275,043

The average interest rate on instalment debtors for the year 31 December 2015 is 4.16% (2014: 4.24%) per annum.

The Group has pledged customer contracts with a carrying amount of KD 181,075 thousand (2014: KD 111,001 thousand) as collaterals against borrowings (See note 11).

5. Investments

Financial assets at fair value through profit or loss ("FVTPL")

	2015	2014
	KD'000	KD'000
Opening cost at 1 January	9,186	8,972
Unrealised losses	(220)	(267)
Opening fair value	8,966	8,705
Purchases	-	214
Changes in fair value through the consolidated statement of profit or loss	(834)	47
Closing fair value at 31 December	8,132	8,966

All financial assets at FVTPL are located in the State of Kuwait.

At 31 December 2015 and 2014, the entire amount of financial assets at FVTPL represent held for trading investments.

Available-for-sale investments

	2015	2014
	KD'000	KD'000
Opening cost at 1 January	13,465	13,277
Unrealised gains at 1 January	2,317	2,509
Opening fair value at 1 January	15,782	15,786
Unrealised exchange gains	376	365
Purchases	6,565	666
Sales - proceeds	(439)	(731)
- realised gain on sales	87	139
Impairment losses	(216)	(251)
Changes in fair value	607	(192)
Closing fair value at 31 December	22,762	15,782
Investments carried at fair value	15,727	13,112
Investments carried at cost	7,035	2,670
	22,762	15,782

The geographical concentration of investments classified as available-for-sale at the reporting date are as follows:

	2015	2014
	KD'000	KD'000
Outside Kuwait	14,577	13,737
Kuwait	8,185	2,045
	22,762	15,782

It was not possible to reliably measure the fair value of certain available-for-sale investments due to lack of reliable measures to determine the fair value of such investments. Accordingly they are stated at cost less impairment losses, if any.

Impairment losses recognised directly in the consolidated statement of profit or loss include KD 216 thousand (2014: KD 251 thousand) which relates to available-for-sale investments stated at cost.

Net (losses)/ gains from investments

	2015	2014
	KD'000	KD'000
Realised gain on sale of available-for-sale investments	87	139
Increase in fair value of financial assets at fair value through profit or loss	(834)	47
	(747)	186

6. Investments in associates

Details of the investment in associated companies at 31 December are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest 2015	Proportion of ownership interest 2014	Principal activity
Real Estate Facilities Company K.S.C. (Closed)	Kuwait	26.43%	26.43%	Finance of real estate
Priority Automobile Company K.S.C. (Closed)	Kuwait	44.56%	44.56%	Renting and leasing of luxury cars

The summarised financial information of the Group's associates is set out below:

	2015	2014
	KD'000	KD'000
Total current assets	6,456	9,814
Total non-current assets	43,398	37,324
Total assets	49,854	47,138
Total current liabilities	(1,275)	(781)
Total non-current liabilities	(9,576)	(8,398)
Total liabilities	(10,851)	(9,179)
Net assets	39,003	37,959
Group's share of associates' net assets	12,919	12,695
Revenues	11,598	8,096
Profit for the period	2,452	3,394
Group's share of results of associates	754	987

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

	2015		2014	
	Real Estate Facilities Company K.S.C. (Closed)	Priority Automobile Company K.S.C. (Closed)	Real Estate Facilities Company K.S.C. (Closed)	Priority Automobile Company K.S.C. (Closed)
	KD'000	KD'000	KD'000	KD'000
Current assets	4,214	2,242	8,222	1,592
Non-current assets	27,192	16,206	22,390	14,934
Total assets	31,406	18,448	30,612	16,526
Current liabilities	(502)	(773)	(453)	(328)
Non-current liabilities	(26)	(9,550)	(18)	(8,380)
Total liabilities	(528)	(10,323)	(471)	(8,708)
Net assets	30,878	8,125	30,141	7,818
Group's share of associates' net assets	8,459	4,460	8,372	4,323
Revenues	2,265	9,333	3,275	4,821
Profit for the period	1,844	608	2,897	497
Group's share of results of associates	483	271	766	221

7. Subsidiaries

The subsidiaries of the Group as at 31 December are as follows:

Name of subsidiary	% of ownership and voting power 2015	% of ownership and voting power 2014	Country of incorporation	Principal activity
First Real Estate Facilities Company W.L.L.	99%	99%	Kuwait	Real estate
Tas-hilat Rating and Collection Company K.S.C. (Closed)	97%	97%	Kuwait	Collection

8. Investment property

The movement in the investment property is as follows:

	2015	2014
	KD'000	KD'000
Balance at the beginning of the year	1,952	1,873
Purchase of investment property	1,739	-
Sales - proceeds	(2,020)	-
- realised gain on sales	68	-
Unrealized gain from change in fair value of investment properties	-	79
Balance at the ending of the year	1,739	1,952

The fair value of the Group's investment property has been arrived at on the basis of valuations carried out on the respective dates by independent appraisers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach. In estimating the fair values of the properties, the highest and the best use of the property is its current use. The Group's investment property is included in Level 3 of fair value hierarchy as at 31 December 2015 and 31 December 2014 and is located in Saudi Arabia.

9. Property and equipment

	Land at fair value	Building	Furniture, Equipment and Others	Motor vehicles	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Cost or fair value					
Balance at 31 December 2013	1,989	499	2,427	3	4,918
Additions	-	-	34	1	35
Balance at 31 December 2014	1,989	499	2,461	4	4,953
Additions	-	-	70	5	75
Revaluation	195	-	-	-	195
Balance at 31 December 2015	2,184	499	2,531	9	5,223
Accumulated depreciation					
Balance at 31 December 2013	-	499	2,081	3	2,583
Charge for the year	-	-	191	-	191
Balance at 31 December 2014	-	499	2,272	3	2,774
Charge for the year	-	-	156	-	156
Balance at 31 December 2015	-	499	2,428	3	2,930
Carrying amount					
As at 31 December 2015	2,184	-	103	6	2,293
As at 31 December 2014	1,989	-	189	1	2,179

The fair value of the Group's land has been arrived at on the basis of valuations carried out yearly by independent appraisers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on market approach. In estimating the fair values of the land, the highest and the best use of the land is its current use. There has been no change to the valuation techniques during the year. The Group's land is included in Level 3 of fair value hierarchy as at 31 December 2015 and 31 December 2014.

10. Trade creditors and accrued liabilities

	2015	2014
	KD'000	KD'000
Trade creditors	2,123	1,795
KFAS payable	91	115
National Labour Support Tax payable	243	284
Zakat payable	92	109
Other accrued liabilities	3,924	3,703
	6,473	6,006

11. Term loans

	2015	2014
	KD'000	KD'000
Loans denominated in KD	99,008	77,917
Loans denominated in USD	54,803	18,395
	153,811	96,312

The repayment of term loans are due as follows:	2015	2014
	KD'000	KD'000
Due within one year	66,157	40,733
Due after one year	87,654	55,579
	153,811	96,312

During the year, the Group obtained new KD loans amounting to KD 58 million (2014: KD 45 million) and USD loan amounting to USD 180 million (2014: 60 million).

The weighted average interest rate on KD loans outstanding at 31 December 2015 was 3.05% per annum and on USD loans was 2% per annum (31 December 2014: 3.07% per annum and 1.86% per annum).

The Group's outstanding term loans at 31 December 2015 are borrowed under floating rate agreements. The interest rates were determined at normal commercial rates available from the debt market on an arm's length basis. The Group has assigned customer contracts amounting to KD 181,075 thousand (2014: KD 111,001 thousand) as security over 14 term loans (2014: 13 term loans) with balances outstanding of KD 138,612 thousand (2014: KD 87,511 thousand).

12. Bonds

On 14 December 2011, the Parent Company issued unsecured bonds amounting to KD 50,000 thousand with an interest rate of CBK discount rate plus 1.4% payable quarterly in arrears. The bonds were redeemable in eight quarterly instalments of KD 6,250 thousand each from 14 March 2014 to 14 December 2015. During the year, the bonds were fully paid-off.

13. Share capital

Share capital comprises of 536,763,720 authorised and issued shares of 100 fils (2014: 536,763,720 authorised and issued shares of 100 fils) each fully paid in cash.

14. Legal reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST, Zakat and Directors' remuneration is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

15. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit before KFAS, NLST Zakat and Directors' remuneration is required to be transferred to the voluntary reserve until the shareholders decide to discontinue the transfer. There are no restrictions on distributions from the voluntary reserve. The shareholders' annual general assembly held on 22 April 2014 approved to discontinue any further transfers to the voluntary reserve from 2014.

16. Treasury shares

	2015	2014
Number of shares purchased (000's)	4,399	-
Cost of shares purchased (KD'000)	958	-
Market value of total treasury shares (KD'000)	4,505	6,052
Percentage of issued shares	5.00%	4.18%
Total number of shares (000's)	26,813	22,414

The Parent Company's retained earnings, equivalent to the cost of treasury shares on the date of the consolidated financial statements, are not available for distribution as long as these treasury shares are held by the Parent Company. The treasury shares are not mortgaged.

17. Contribution to KFAS

This represents contribution to the Kuwait Foundation for the Advancement of Science ("KFAS") computed at 1% of profit for the year after transfer to statutory reserve.

18. NLST and Zakat

This represents provision for National Labour Support Tax ("NLST") is computed at 2.5% of profit for the year after transfer to statutory reserve.

Zakat represents tax payable to Kuwait's Ministry of Finance under Zakat Law No.46 of 2006.

19. Annual general assembly, Proposed Dividends and Directors' remuneration

a) The shareholders' annual general assembly held on 23 April 2015 approved the audited consolidated financial statements of the Group for the year ended 31 December 2014.

b) Subject to the requisite consent and approval of the annual general assembly, the Board of Directors propose to:

i) Distribute a cash dividend of 17 fils per share (2014: 20 fils per share) of the paid-up capital at 31 December 2015 to the shareholders on record at the date of the general assembly amounting to KD 8,669 thousand (2014: KD 10,287 thousand).

ii) Pay directors non-executive remuneration of KD 105 thousand (2014: KD 126 thousand). This is within the maximum amount provided for by the Companies Law No. 1 of 2016.

20. Earnings per share

Earnings per share is computed by dividing profit for the year by the weighted average number of shares outstanding during the year as follows:

	2015	2014
	KD'000	KD'000
Profit for the year	8,573	10,898
	Shares	
Weighted average number of the Parent Company's issued and paid-up shares (000's)	536,764	536,764
Weighted average number of the Parent Company's treasury shares (000's)	(24,666)	(22,414)
Weighted average number of the Parent Company's outstanding shares (000's)	512,098	514,350
Earnings per share	17 Fils	21 Fils

21. Related party transactions

Related parties comprise associated companies, major shareholders, directors and key management personnel of the Group, their families and companies of which they are the principal owners. The Group enters into transactions with related parties. Pricing policies and terms are approved by the Group's management.

The related party transactions and balances included in these consolidated financial statements are as follows:

a) Compensation of key management personnel of the Parent Company

The remuneration of directors and other members of key management during the year exclusive of remuneration to the directors referred to in note 19 was as follows:

	2015	2014
	KD'000	KD'000
Salaries and other short-term benefits	399	393
Post-employment benefits	158	78
	557	471

b) Instalment debtors

	2015	2014
	KD'000	KD'000
Balance at 1 January	15	31
Loans advanced during the year	62	-
Instalment repayments received	(26)	(16)
Balance at 31 December	51	15

22. Commitments

	2015	2014
	KD'000	KD'000
Capital commitments	1,139	244

23. Revenue and segmental analysis

In accordance with IFRS 8, operating segments are identified based on internal management reporting information that is regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance and is reconciled to Group profit or loss.

The Group operates in one principal area of activity, the granting of credit facilities. Its consumer credit operations are carried out entirely in the domestic market in Kuwait. The Group has investments both inside and outside the State of Kuwait.

The measurement policies that the Group uses for segment reporting under IFRS 8 are the same as those used in its annual audited consolidated financial statements.

A segmental analysis of profit from ordinary activities, total assets, total liabilities and net assets employed by geographical location is as follows:

	Kuwait	International	Total
	KD'000	KD'000	KD'000
At 31 December 2015			
Total income	19,042	902	19,944
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration	8,158	902	9,060
Total assets	302,961	30,251	333,212
Total liabilities	(110,182)	(54,803)	(164,985)
Net assets employed	192,779	(24,552)	168,227

Other information			
Decrease in fair value of financial assets at FVTPL	(834)	-	(834)
Share of results of associates	754	-	754
Provision for doubtful debts, net of released amount	(1,966)	-	(1,966)
Provision for end of service indemnity	(343)	-	(343)
Depreciation	(156)	-	(156)

	Kuwait	International	Total
	KD'000	KD'000	KD'000
At 31 December 2014			
Total income	18,166	865	19,031
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration	10,623	865	11,488
Total assets	272,453	28,544	300,997
Total liabilities	(112,873)	(18,395)	(131,268)
Net assets employed	159,580	10,149	169,729
Other information			
Decrease in fair value of financial assets at FVTPL	47	-	47
Share of results of associates	987	-	987
Reversal of provision for doubtful debts, net of released amount	811	-	811
Provision for end of service indemnity	(247)	-	(247)
Depreciation	(191)	-	(191)

24. Financial risk management

The Group's financial assets have been categorized as follows :

	Loans and receivables	FVTPL	Available -for-sale
	KD'000	KD'000	KD'000
31 December 2015			
Cash and bank balances	30,364	-	-
Other receivables	1,158	-	-
Instalment debtors	253,621	-	-
Financial assets at fair value through profit or loss	-	8,132	-
Available-for-sale investments	-	-	22,762
	285,143	8,132	22,762
31 December 2014			
Cash and bank balances	25,658	-	-
Other receivables	466	-	-
Instalment debtors	233,020	-	-
Financial assets at fair value through profit or loss	-	8,966	-
Available-for-sale investments	-	-	15,782
	259,144	8,966	15,782

All financial liabilities are categorized as 'other than at fair value through profit or loss'.

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group's Board of Directors oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The significant risks that the Group is exposed to are discussed below :

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises of three types of risks: currency risk, interest rate risk and equity price risk. As part of its overall risk management, the Group uses forward foreign exchange contracts to manage market risks.

(i) Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as deposits, available-for-sale investments, investment property and term loans. The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the US Dollar, Bahraini Dinar and Saudi Riyal.

The analysis below shows the effect of a 1% strengthening in the foreign currency rates against KD, with all other variables held constant on the profit for the year. A positive amount in the table reflects a net potential increase in the profit for the year, while a negative amount reflects a net potential decrease.

There have been no changes in the method and the assumptions used in the preparation of the sensitivity analysis as compared to the prior year.

	2015	2014
	KD'000	KD'000
US Dollar	(327)	9
Bahraini Dinar	47	45
Saudi Riyal	17	20
Others	13	14

A 1% weakening of the above currencies against the KD would have had an equal, but opposite, effect of the amounts shown above, with all other variables held constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from term deposits, bank overdrafts, term loans and bonds. Bank overdrafts, term loans and bonds taken at variable rates and term deposits placed at variable rates expose the Company to cash flow interest rate risk.

The Group manages interest rate risk by borrowing funds at market linked floating interest rates and placing term deposits at the best available rates.

At 31 December 2015, if interest rates at that date had been 25 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD 320 thousand (2014: KD 241 thousand).

(iii) Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group manages the risk through diversification of investments in terms of geographic distribution and industry concentration. The effect on profit (as a result of a change in the fair value of equity instruments held as at fair value through profit or loss) at the year end due to an assumed 5% change in market indices, with all other variables held constant, is as follows:

	2015	2014
	Effect on profit	Effect on profit
	KD'000	KD'000
Kuwait Stock Exchange	± 188	± 187

(a) Credit risk

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises in the Group's normal course of business.

All policies relating to credit are reviewed and approved by the management.

Credit limits are established for all customers after a careful assessment of their creditworthiness. Standing procedures require that all credit proposals be subjected to detailed screening by the relevant division prior to approval. In accordance with the instructions of the Central Bank of Kuwait setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee comprising of competent professional staff and having as its purpose the study and evaluation of the existing credit facilities of each customer of the Group.

This committee is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The committee, which meets regularly throughout the year, also studies the positions of these customers, in order to determine whether further provisions are required.

All credit facilities are continuously monitored based on periodical review of the credit performance and account rating.

(i) Maximum exposure to credit risk

An analysis of the Group's financial assets before taking into account other credit enhancements, is as follows:

	Net exposure	
	2015	2014
	KD'000	KD'000
Cash and bank balances (excluding cash on hand)	30,364	25,658
Other receivables	1,158	466
Instalment debtors	253,621	233,020
Available-for-sale investments	5,700	700
	290,843	259,844

(ii) Risk concentration of the maximum exposure to credit risk

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty. This risk is managed by diversification of the portfolio.

The Group's financial assets can be analysed by the following geographic regions:

At 31 December 2015

Geographic region	*Middle East and North Africa* KD'000	*North America* KD'000	*Europe* KD'000	*Asia* KD'000	*Total* KD'000
Cash and bank balances (excluding cash on hand)	30,364	-	-	-	30,364
Other receivables	1,158	-	-	-	1,158
Instalment debtors	253,621	-	-	-	253,621
Available-for-sale investments	5,700	-	-	-	5,700
	290,843	-	-	-	290,843

At 31 December 2014

Geographic region	*Middle East and North Africa* KD'000	*North America* KD'000	*Europe* KD'000	*Asia* KD'000	*Total* KD'000
Cash and bank balances (excluding cash on hand)	25,658	-	-	-	25,658
Other receivables	466	-	-	-	466
Instalment debtors	233,020	-	-	-	233,020
Available-for-sale investments	700	-	-	-	700
	259,844	-	-	-	259,844

The Group does not obtain any collateral on its financial assets other than personal guarantees. The Group's concentration on financial assets can be analysed by the following industry sectors:

	2015 KD'000	2014 KD'000
Industry sector		
Banks and other financial institutions	35,364	25,658
Retail	253,621	233,020
Others	1,858	1,166
	290,843	259,844

(iii) Credit quality per class of financial assets

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as 'High' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as 'Standard' quality comprise all other facilities which payment performance is fully compliant with contractual conditions and which are not 'impaired'. The ultimate risk of possible financial loss on 'Standard' quality is assessed to be higher than that for the exposures classified within the 'High' quality range.

The table below shows the credit quality by class of asset for the consolidated statement of financial position lines, based on the Group's credit rating system.

	Neither past due nor impaired	*Past due not impaired*	
	High	*Standard*	*Total*
	KD'000	KD'000	KD'000
31 December 2015			
Cash and bank balances (excluding cash on hand)	30,364	-	30,364
Other receivables	1,158	-	1,158
Instalment debtors	215,797	37,824	253,621
Available-for-sale investments	5,700	-	5,700
	253,019	37,824	290,843

	Neither past due nor impaired	*Past due not impaired*	
	High	*Standard*	*Total*
	KD'000	KD'000	KD'000
31 December 2014			
Cash and bank balances (excluding cash on hand)	25,658	-	25,658
Other receivables	466	-	466
Instalment debtors	204,800	28,220	233,020
Available-for-sale investments	700	-	700
	231,624	28,220	259,844

(iv) Aging analysis of past due instalment debtors

	Retail	
	Past due and not impaired	Past due and impaired
	KD'000	KD'000
31 December 2015		
Up to 90 days past due	27,586	-
91-180 days past due	7,908	1,925
181 – 360 days past due	2,330	2,176
More than 360 days past due	-	13,804
	37,824	17,905

	Retail	
	Past due and not impaired	Past due and impaired
	KD'000	KD'000
31 December 2014		
Up to 90 days past due	20,748	-
91-180 days past due	5,645	1,374
181 – 360 days past due	1,827	1,707
More than 360 days past due	-	13,063
	28,220	16,144

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	Undiscounted			
	Up to 3 months	*3 to 12 months*	*1 to 5 years*	*Total*
	KD'000	KD'000	KD'000	KD'000
31 December 2015				
Financial liabilities				
Due to banks	556	-	-	556
Trade creditors and accrued liabilities	6,091	382	-	6,473
Term loans	12,629	57,199	92,347	162,175
	19,276	57,581	92,347	169,204
Commitments				
Commitments for purchase of available-for-sale investments	1,139	-	-	1,139
31 December 2014				
Financial Liabilities				
Due to banks	96	-	-	96
Trade creditors and accrued liabilities	5,542	464	-	6,006
Term loans	13,025	29,885	58,934	101,844
Bonds	6,463	19,069	-	25,532
	25,126	49,418	58,934	133,478
Commitments				
Commitments for purchase of available-for-sale investments	244	-	-	244

(c) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by the compliance and risk management function, which ensures compliance with policies and procedures and monitors operational risk as part of overall risk management activities.

Fair value of financial instruments

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 Group's financial assets are measured at fair value at the end of each reporting period. The following tables gives information about how the fair values of these financial assets are determined.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2015			
	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	7,663	469	-	8,132
Available-for-sale investments				
Quoted debt	909	-	-	909
Managed funds	-	-	286	286
Equity participations (unquoted securities)	-	-	14,532	14,532
	8,572	469	14,818	23,859

	2014			
	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	8,439	527	-	8,966
Available-for-sale investments				
Managed funds	-	-	205	205
Equity participations (unquoted securities)	-	-	12,907	12,907
	8,439	527	13,112	22,078

Financial assets	Fair value as at		Fair value Hierarchy	Sector
	31 December 2015	31 December 2014		
	KD'000	KD'000		
Financial assets at fair value through profit or loss - *Quoted securities*	6,987	7,720	Level 1	Financial Institutions
	643	667	Level 1	Real estate
	33	52	Level 1	Retail
Available for sale investments – *Quoted debts*	909	-	Level 1	Financial Institutions
	8,572	8,439		
Financial assets at fair value through profit or loss - *Unquoted funds*	469	527	Level 2	Real estate
Available for sale investments - *Unquoted funds*	112	127	Level 3	Media & technology
	126	-	Level 3	Real estate
	48	78	Level 3	Retail
Available for sale investments - *Unquoted securities*	7,101	6,131	Level 3	Real estate
	6,096	5,444	Level 3	Financial Institutions
	1,315	1,275	Level 3	Service
	16	46	Level 3	Manufacturing
	4	11	Level 3	Media & technology
	14,818	13,112		
	23,859	22,078		

The most significant unobservable inputs used is the illiquidity discount in the level 3 hierarchy.

Movement in level 3 available-for-sale investments (Unquoted securities) is as follows:

	2015	2014
	KD'000	KD'000
Opening balance	13,112	13,417
Total gain or losses:		
- in profit or loss	(163)	(137)
- in other comprehensive income	929	105
Purchases/ transfers	1,345	145
Sales	(405)	(418)
Closing balance	14,818	13,112

The fair values of equity investments are obtained from quoted market prices and other models as appropriate.

Valuation techniques include observable market information of comparable companies and net asset values. Significant unobservable inputs used in valuation techniques mainly include market multiples such as price to book and price to earnings. The most significant unobservable inputs used is the illiquidity discount in the level 3 hierarchy.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values.

A sensitivity analysis on fair value estimations, by varying input assumptions by a reasonable margin, did not indicate any material impact on the consolidated statement of financial position or consolidated statement of profit or loss.

25. Derivative financial instruments

Derivatives are financial instruments that derive their value by reference to interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives are carried at fair value. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction at the consolidated statement of financial position date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of instruments. Negative fair value represents the cost to the Group in favour of the counter parties.

The Group deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows.

Derivatives held for trading (Forward foreign exchange contracts)

Derivatives used for hedging purposes but which do not meet the qualifying criteria for hedge accounting is classified as 'Derivatives held for trading'.
Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date. Forward foreign exchange contracts mature within two years from the consolidated statement of financial position date.

The notional amounts of forward foreign exchange contracts together with fair values as at 31 December is summarised as follows:

	Notional principal value		Fair value Positive	
	2015	2014	2015	2014
	KD'000	KD'000	KD'000	KD'000
Derivatives held for trading				
Forward foreign exchange contracts				
(US Dollars – KD)	-	2,418	-	92

26. Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Parent Company is required to have a minimum paid up share capital of KD 15 million to be registered with CBK.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from previous year.

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 and cash equivalents. Total capital is calculated as equity (as shown in the consolidated statement of financial position) plus net debt.

Gearing ratio

The gearing ratio at the year end was as follows:

	2015	2014
	KD'000	KD'000
Total Borrowings (i)	153,811	121,312
Less: Cash and cash equivalents	(16,005)	(13,124)
Net debts	137,806	108,188
Total Equity	168,227	169,729
Total Capital	306,033	277,917
Net debt to equity %	45%	39%

Debt include term loans as disclosed in note 11 and bonds as disclosed in note 12.

27. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements. Actual results could differ from these estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Judgements and estimates that are significant to the consolidated financial statements are shown below:

Judgements

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as "at fair value through profit or loss" or "available for sale". In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the consolidated statement of profit or loss or directly in equity.

Impairment of investments

The Group treats investments as impaired when there has been a significant or prolonged decline in fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Fair value hierarchy

As disclosed in note 24, the Group is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

Key sources of estimation uncertainty

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment losses on other receivables and instalment debtors

The Group's management reviews periodically items classified as other receivables and instalment debtors to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.