محاسبون قانونيون
صندوق: رقم ٧٤ الصفاة
الكويت الصفاة ١٣٠٠١
ساحة الصفاة
برج بيتك الطابق ١٨ – ٢١
شارع أحمد الجابر

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Independent auditos’ report

To the shareholders of

YIACO Medical Company - KPSC

Kuwait

Report on the Consolidated Financial Statements

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

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company’s Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and the Executive regulation of Law No. 25 of 2012, and by the Parent Company’s Memorandum of Incorporation and Articles of Associations, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, the Executive regulations of Law No. 25 of 2012, or of the Parent Company’s Memorandum of Incorporation and Articles of Associations, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business or financial position of the Group.

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

Waleed A. Al-Osaimi
Licence No. 68-A
of EY Al Aiban, Al Osaimi & Partners

Kuwait

15 March 2016

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Consolidated statement of profit or loss

	Notes	***Year ended 31 Dec. 2015***	*Year ended 31 Dec. 2014*
		KD	KD
Sales	8	**108,583,387**	107,295,111
Cost of sales		**(89,815,222)**	(87,228,642)
Gross profit		**18,768,165**	20,066,469
Other operating income		**132,381**	518,045
Distribution costs		**(6,157,614)**	(5,939,194)
Administrative expenses		**(14,072,559)**	(12,426,885)
Allowance for bad and doubtful debts	16	**(2,820,568)**	(350,740)
(Loss)/ profit from operating activities		**(4,150,195)**	1,867,695
Gain on disposal of property, plant, equipment and intangible assets		**22,386**	72,883
Share of results of associate	13	**1,710,934**	1,428,632
Net gain on investments carried at fair value through profit or loss	14	**197,505**	258,720
Provision for upgrade of property, plant and equipment	11	**(1,000,000)**	-
Impairment in value of intangible assets	12	**(2,427,867)**	-
Finance costs		**(1,261,967)**	(1,283,718)
(Loss)/ profit for the year before income tax		**(6,909,204)**	2,344,212
Income taxes for overseas subsidiaries		**(96,010)**	(155,874)
(Loss)/ profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		**(7,005,214)**	2,188,338
Contribution to KFAS		**-**	(4,958)
Provision for NLST		**-**	(72,744)
Provision for Zakat		**-**	(14,811)
Directors' remuneration		**-**	(49,000)
(Loss)/ profit for the year	9	**(7,005,214)**	2,046,825
Attributable to:			
Owners of the Parent Company		**(7,050,859)**	1,996,740
Non-controlling interests		**45,645**	50,085
		(7,005,214)	2,046,825
Basic and diluted (loss)/ earnings per share attributable to the owners of the Parent Company	10	**(38.76) Fils**	10.98 Fils

The Notes set out from note 1 - 28 an integral part of this consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015	*Year ended 31 Dec. 2014*
	KD	KD
(Loss)/ profit for the year	**(7,005,214)**	2,046,825
Other comprehensive (loss)/ income:		
Items to be reclassified to profit or loss in subsequent periods		
Exchange differences arising on translation of foreign operations	**(151,976)**	46,727
Total other comprehensive (loss)/ income	**(151,976)**	46,727
Total comprehensive (loss)/ income for the year	**(7,157,190)**	2,093,552
Total comprehensive (loss)/ income attributable to:		
Owners of the Parent Company	**(7,151,412)**	2,040,891
Non-controlling interests	**(5,778)**	52,661
	(7,157,190)	2,093,552

The Notes set out from note 1 - 28 an integral part of this consolidated financial statements.

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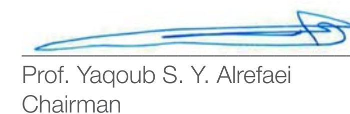
Consolidated statement of financial position

	Notes	***Year ended 31 Dec. 2015***	*Year ended 31 Dec. 2014*
		KD	KD
Assets			
Non-current assets			
Property, plant and equipment	11	**4,526,113**	6,132,434
Intangible assets	12	**474,903**	2,922,337
Investment in associate	13	**11,177,916**	9,876,500
Investments at fair value through profit or loss	14	**263,620**	747,740
Available for sale investments		**79,380**	79,380
		16,521,932	19,758,391
Current assets			
Inventories	15	**34,000,475**	31,111,927
Accounts receivable and prepayments	16	**53,090,521**	48,467,111
Bank balances and cash		**6,407,521**	9,455,766
		93,498,517	89,034,804
Total assets		**110,020,449**	108,793,195
Equity and liabilities			
Equity			
Share capital	17	**18,191,250**	18,191,250
Statutory reserve	18	**4,325,308**	4,325,308
Voluntary reserve	18	**1,258,354**	1,258,354
General reserve	18	**1,775,204**	1,775,204
Foreign currency translation reserve		**(165,964)**	(65,411)
Retained earnings		**3,586,839**	10,637,698
Equity attributable to the owners of the Parent Company		**28,970,991**	36,122,403
Non-controlling interests		**252,213**	257,991
Total equity		**29,223,204**	36,380,394
Non-current liabilities			
Murabaha payables	19	**2,720,240**	3,505,970
Employees' end of service benefits	20	**2,503,609**	2,448,758
		5,223,849	5,954,728
Current liabilities			
Accounts payable and accruals	21	**32,476,736**	24,513,475
Murabaha payables	19	**43,096,660**	41,944,598
		75,573,396	66,458,073
Total liabilities		**80,797,245**	72,412,801
Total equity and liabilities		**110,020,449**	108,793,195



Prof. Yaqoub S. Y. Alrefaei
Chairman

The Notes set out from note 1 - 28 an integral part of this consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to owners of the Parent Company							**Non-controlling interests**	**Total equity**
	Share capital	**Statutory reserve**	**Voluntary reserve**	**General reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Sub-total**		
	KD	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**
Balance at 1 January 2015	18,191,250	4,325,308	1,258,354	1,775,204	(65,411)	10,637,698	36,122,403	257,991	36,380,394
Loss for the year	-	-	-	-	-	(7,050,859)	(7,050,859)	45,645	(7,005,214)
Other comprehensive loss	-	-	-	-	(100,553)	-	(100,553)	(51,423)	(151,976)
Total comprehensive loss for the year	-	-	-	-	(100,553)	(7,050,859)	(7,151,412)	(5,778)	(7,157,190)
Balance at 31 December 2015	**18,191,250**	**4,325,308**	**1,258,354**	**1,775,204**	**(165,964)**	**3,586,839**	**28,970,991**	**252,213**	**29,223,204**
Balance at 1 January 2014	17,325,000	4,111,483	1,044,529	1,561,379	(109,562)	10,148,683	34,081,512	205,330	34,286,842
Issuance of bonus shares (Note 17)	866,250	-	-	-	-	(866,250)	-	-	-
Transactions with owners	866,250	-	-	-	-	(866,250)	-	-	-
Profit for the year	-	-	-	-	-	1,996,740	1,996,740	50,085	2,046,825
Other comprehensive income	-	-	-	-	44,151	-	44,151	2,576	46,727
Total comprehensive income for the year	-	-	-	-	44,151	1,996,740	2,040,891	52,661	2,093,552
Transfer to statutory, voluntary and general reserve	-	213,825	213,825	213,825	-	(641,475)	-	-	-
Balance at 31 December 2014	**18,191,250**	**4,325,308**	**1,258,354**	**1,775,204**	**(65,411)**	**10,637,698**	**36,122,403**	**257,991**	**36,380,394**

The Notes set out from note 1 - 28 an integral part of this consolidated financial statements.

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Consolidated statement of cash flows

	Notes	***Year ended 31 Dec. 2015***	*Year ended 31 Dec. 2014*
		KD	KD
OPERATING ACTIVITIES			
(Loss)/ profit for the year before income tax		**(6,909,204)**	2,344,212
Adjustments:			
Depreciation and amortisation	11,12	**1,815,423**	1,984,920
Provision for employees' end of service benefits	20	**601,523**	708,039
Gain on disposal of property, plant, equipment and intangible assets		**(22,386)**	(72,883)
Net gain on investments at fair value through profit or loss	14	**(197,505)**	(258,720)
Finance costs		**1,261,967**	1,283,718
Write off of property, plant and equipment	11	**488,217**	-
Allowance for bad and doubtful debts	16	**2,820,568**	350,740
Utilised inventory assigned to customers		**-**	487
Provision for slow moving and expired inventories	15	**1,810,152**	589,415
Share of results of associate	13	**(1,710,934)**	(1,428,632)
Provision for upgrade of property, plant and equipment	11	**1,000,000**	-
Impairment in value of intangible assets	12	**2,427,867**	-
		3,385,688	5,501,296
Working capital changes:			
Inventories		**(4,698,700)**	(5,215,530)
Accounts receivable and prepayments		**(7,443,978)**	(4,126,365)
Accounts payable and accruals		**6,923,730**	16,145
Cash used in operations		**(1,833,260)**	(3,824,454)
Employees' end of service benefits paid	20	**(546,672)**	(848,518)
Income taxes paid of overseas subsidiary paid		**(138,243)**	(83,475)
Net cash used in operating activities		**(2,518,175)**	(4,756,447)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant, equipment and intangible assets		**26,549**	94,427
Additions to property, plant and equipment	11	**(625,932)**	(952,547)
Additions to intangible assets		**(85,000)**	(233,039)
Proceeds from disposal of investment at fair value through profit or loss	14	**681,625**	331,240
Dividends received from associate	13	**409,518**	-
Net cash from/ (used in) investing activities		**406,760**	(759,919)
FINANCING ACTIVITIES			
Finance costs paid		**(1,202,609)**	(1,164,019)
Net drawn down of murabaha payable		**366,332**	10,340,820
Net cash (used in)/ from financing activities		**(836,277)**	9,176,801
Net (decrease)/ increase in bank balances and cash		**(2,947,692)**	3,660,435
Net impact of foreign currency translation adjustments		**(100,553)**	44,151
Cash and cash equivalents at the beginning of the year		**9,455,766**	5,751,180
Bank balances and cash at the end of the year		**6,407,521**	9,455,766

The Notes set out from note 1 - 28 an integral part of this consolidated financial statements.

YIACO Medical Company – KPSC and Subsidiaries
Consolidated Financial Statements
31 December 2015

Notes to the consolidated financial statements

1. Incorporation and activities

The Group comprises of YIACO Medical Company – KPSC ("the Parent Company") and its subsidiaries (collectively "the Group") disclosed in Note 7. The Parent Company is a Kuwaiti Public shareholding Company and its shares are listed on the Kuwait Stock Exchange.

The Parent Company was incorporated on 15 January 1969 in Kuwait and is governed by the Islamic Sharee'a in its activities. The Group is engaged in the below activities which mainly operates in Kuwait and Egypt.

- Trading in medicines and medical equipment and taking part in the government and private tenders.
- Establishing and managing of medical centres and hospitals.
- Establishing and managing of medical dispensaries and laboratories.
- Providing home medical services.
- Assisting medical services for old people.
- Conduct of studies and researches related to the medical issues and provide medical consultations of the parent company or others.
- Contracting with doctors, nurses, pharmacists & technicians to work in the clinics, pharmacies & laboratories and with others in or out the country.
- Maintain works for the medical equipment and apparatus.
- Possession of real estates and the necessary means of transport to perform the Parent Company's objectives.
- Utilizing the surplus funds available in the Parent Company by investing it in financial and real estates portfolios managed by specialized bodies and companies. The Parent Company may perform the aforesaid business in the State of Kuwait and abroad by its self or by proxy.

Further, the Parent Company may have interest in or enter in any respect with entities that carry on works similar to its works or those that may assist the Parent Company to achieve its objectives in Kuwait or abroad, and it may establish, participate in or purchase such entities or having them affiliated thereto.

The address of the Parent Company's registered office is P.O. Box 435, Safat 13005, State of Kuwait.

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

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Parent Company's Board of directors on 15 March 2016. The General Assembly of the Parent Company's shareholders has the power to amend the consolidated financial statements after their issuance.

2. Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss.

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

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

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Notes to the consolidated financial statements (continued)

3. Statement of compliance

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

4. Changes in accounting policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those used in previous year except as discussed below:

4.1 New and amended standards adopted by the Group

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

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

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in those contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

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

Annual Improvements to IFRSs 2010–2012 Cycle:

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

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

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

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

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

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

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

Annual Improvements 2011-2013 Cycle

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

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

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

Annual Improvements 2011-2013 Cycle (continued)

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

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

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

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

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

4.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations -Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
IAS 1 Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 July 2016

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

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

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

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in statement of profit or loss and other comprehensive income. This will affect the Group's investment amounting to KD79,380 if still held on 1 January 2018.
- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in statement of profit or loss and other comprehensive income to the extent those changes relate to the Group's own credit risk.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and provides a new control-based revenue recognition model using five step approach to all contracts with customers.

- The five steps in the model are as follows:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligations.

YIACO Medical Company – KPSC and Subsidiaries
Consolidated Financial Statements
31 December 2015

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers **(continued)**

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including:

  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

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

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising from the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

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

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

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

IFRS 16 Leases

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

The Group's management has yet to assess the impact on these Group consolidated financial statements.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality:* The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income:* The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- *Notes:* The amendments add additional examples of possible ways of ordering the Notes to clarify that understandability and comparability should be considered when determining the order of the Notes and to demonstrate that the Notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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

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

The Amendments are aimed at clarifying the following aspects:

- Exemption from preparing consolidated financial statements. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary providing services that relate to the parent's investment activities. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- Application of the equity method by a non-investment entity investor to an investment entity investee. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

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

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2012–2014 Cycle

(i) Amendments to IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

(ii) Amendments to IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

(iii) Amendments to IAS 19 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

(iv) Amendments to IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

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

5. Summary of significant accounting policies

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

5.1 Basis of consolidation

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

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

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

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

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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

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

5.2 Business combinations

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

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

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

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

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

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

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Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 5.13 for a description of impairment testing procedures.

5.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidate statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

5.4 Investment in associates (continued)

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Revenue recognition

Revenue is recognised to the extent that future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its income arrangements

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.5 Revenue recognition (continued)

The following specific recognition criteria must also be met before revenue is recognised:

5.5.1 Sale of goods

Revenue from sale of medical supplies is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, normally on delivery to the customer.

5.5.2 Rendering of services

Revenue from rendering of services, included in sales, is initially deferred and is included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sale service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

5.6 Operating expenses

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

5.7 Taxation

5.7.1. Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserves, should be excluded from profit for the year attributable to the shareholders of the Group when determining the contribution.

5.7.2. National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions when calculating taxable profit for the year include, share of profits from listed associates and cash dividends from listed companies which are subjected to NLST. Under the NLST regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.7.3. Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the regulations Ministry of Finance has provded for zakat in accordance with the requirements of Law No. 46 of 2006. Under the Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.7.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Free hold land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of all other assets as follows:

Buildings	10 to 50 years
Motor vehicles	3 years
Furniture and office equipment	6 to 10 years
Machinery and equipment	3 to 10 years

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Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8 Property, plant and equipment (continued)

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

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (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 when the asset is derecognised.

Properties in the course of construction (capital work in progress) for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.9 Inventory assigned to customers

The cost of certain inventory items assigned for the use of customers, less any recovery, is treated as inventory assigned to customers. The cost of inventory assigned to customers is charged to consolidated statement of profit or loss over the period of the respective customer agreement.

5.10 Intangible assets

Key money paid in respect of new pharmacy premises are capitalised as intangible assets and are stated at cost less amortisation and impairment, if any. Amortisation is calculated using the straight-line method at rates calculated to write-off the expenditure over the estimated useful lives, ranging between 3 to 10 years.

Intangible assets also include costs incurred to acquire marketing rights to act as the sole distributor of certain

pharmaceutical products of an international company inside Kuwait. They are accounted for using the cost model and considered as assets with indefinite useful lives. Residual values and useful lives are reviewed at each reporting date.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Intangible assets (continued)

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

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

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

5.11 Financial instruments

5.11.1 Financial assets – Initial recognition and measurement

Financial assets are classified as financial assets carried at fair value through profit or loss, loans and receivables, or financial assets available for sale as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within the framework established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset.

The Group's financial assets include quoted and unquoted financial instruments, bank balances, and accounts receivable.

5.11.2 Subsequent measurement

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

5.11.2.1 Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the consolidated statement of profit or loss.

Financial assets are designated at fair value through profit or loss if they are managed, and their performance is evaluated on reliable fair value basis in accordance with a documented investment strategy.

After initial recognition financial assets at fair value through profit or loss are re-measured at fair value with all changes in fair value recognised in the consolidated statement of profit or loss.

The Group evaluates its financial assets at fair value through profit or losst whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances.

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Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.2.2 Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as investments at fair value through profit or loss, investments held to maturity or loans and receivables.

After initial recognition, financial assets available for sale are measured at fair value with unrealised gains and losses being recognised as other comprehensive income in the cumulative changes in fair value reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in equity is recognised in the consolidated statement of profit or loss. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

The Group evaluates whether the ability and intention to sell its available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available for sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated statement of profit or loss over the remaining life of the investment using the effective profit/yield rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective profit/yield rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

5.11.2.3 Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

5.11.3 Derecognition of financial assets

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either

  a) the Group has transferred substantially all the risks and rewards of the asset or

  b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.3 Derecognition of financial assets (continued)

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

5.11.4 Financial liabilities - Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loan and borrowings or as payables, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.

The Group's financial liabilities include murabaha payables and accounts payable.

5.11.5 Subsequent measurement

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

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

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

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

5.11.5.2 Accounts payable and accruals

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

5.11.5.3 Murabaha payables

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

5.11.6 Derecognition of financial liabilities

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

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Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

5.11.7 Offsetting of financial instruments

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

5.11.8 Fair value of financial instruments

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

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

Financial instruments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value. The fair value of profit bearing financial instruments is estimated based on discounted cash flows using profit rates for items with similar terms and risk characteristics An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

5.11.9 Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in the consolidated statement of profit or loss.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective profit rate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11.9 Impairment of financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss. Finance income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The finance income is recorded in the consolidated statement of profit or loss.

Financial assets available for sale

For financial assets available for sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired.

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available for sale previously recognised in the consolidated statement of profit or loss - is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in statement of profit or loss and other comprehensive income.

5.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Goods for resale - on weighted average basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

5. 13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

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Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5. 13 Impairment of non-financial assets (continued)

eporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

5. 14 Provisions, contingent assets and contingent liabilities

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

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

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

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

5. 15 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5. 16 Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively)

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying amount of foreign associates, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of profit or loss are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised in other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to the particular foreign operation are reclassified to profit or loss and are recognised as part of the gain or loss on disposal. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

5.17 Operating segment

An operating segment is a component of the Group:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

5.18 Equity, reserves and dividend payments

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

Statutory, voluntary and general reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Parent Company's Articles of Association.

Foreign currency translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Kuwaiti Dinars (KD).

Retained earnings include all current and prior years retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in accounts payable and accruals when the dividends have been approved by the General Assembly of the Parent Company's shareholders.

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Notes to the consolidated financial statements (continued)

6. Significant management judgements and estimation uncertainty

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

6.1. Significant management judgments

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

6.1.1. Classification of financial instruments

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

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

Classification of financial assets as fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Control assessment

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

6.2. Estimates uncertainty

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

6.2.1 Impairment of available for sale equity investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.2 Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainity relates to assumptions about future operating results and the determination of a suitable discount rate.

6.2.3 Impairment of associates

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

Notes to the consolidated financial statements (continued)

6. Significant management judgements and estimation uncertainty (continued)

6.2. Estimates uncertainty (continued)

6.2.4 Impairment of receivables

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. During the year ended 31 December 2015, the Group recognised impairment of receivables amounting to KD 2,820,568 (31 December 2014: KD350,740).

6.2.5. Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. During the year ended 31 December 2015, the Group recognised provision for slow moving and expired items amounting to KD1,810,152 (31 December 2014: KD589,415).

6.2.6. Useful lives of property, plant & equipment & and Intangible assets

The Group's management reviews the estimated useful lives of its property, plant & equipment and intangible assets for calculating depreciation/amortisation. The estimate is determined after considering the expected usage of the asset or physical wear and tear and/or other relavent factors related to the asset. Management reviews the residual value and useful lives annually and future depreciation/amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates (Note 12).

6.2.7. Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (Note 27).

7. Subsidiary companies

The consolidated financial statements include the financial statements of the Parent Company and the following material subsidiaries as at 31 December: Details of subsidiaries are as follows:

Entity	Country of incorporation	Principal activities	Legal holding %	
			2015	2014
Al Kamal Import and Marketing Company – WLL	Egypt	Engaged in import, marketing and manufacture of medical raw material and medical and chemical equipment.	85.40%	85.40%
Al Raya Health Care Company -WLL	Kuwait	Engaged in providing medical services.	99%	99%

The non-controlling interest of the above subsidiaries is not individually material to the Group.

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Notes to the consolidated financial statements (continued)

8. Sales

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Pharmaceutical supplies	**88,861,483**	88,008,934
Medical, scientific and dental equipment and services	**11,836,081**	10,549,143
Medical centres	**7,885,823**	8,737,034
	108,583,387	107,295,111

9. (Loss)/ profit for the year

The (loss)/profit for the year is stated after charging /(crediting) :

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Staff costs	**6,823,663**	6,820,028
Depreciation and amortisation	**1,815,423**	1,984,920
Rent	**1,695,965**	1,777,810
Expenses related to logistical services	**1,211,486**	703,079
Gain on foreign currency exchange	**(118,204)**	(127,625)
Penalties on receivable from a government project	**611,472**	-
Write off property, plant and equipment (Note 11)	**488,217**	-
Provision for slow moving and expired inventories (Note 15)	**1,810,152**	589,415

10. Basic and diluted (loss)/ earnings per share attributable to owners of the Parent Company

Basic and diluted (loss)/ earnings per share are calculated by dividing the (loss)/profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
(Loss)/ profit for the year attributable to the owners of the Parent Company (KD)	**(7,050,859)**	1,996,740
Weighted average number of shares outstanding	**181,912,500**	181,912,500
Basic and diluted (loss)/ earnings per share	**(38.76) Fils**	10.98 Fils

As the Parent Company has no potential ordinary shares, basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company are identical.

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Notes to the consolidated financial statements (continued)

11. Property, plant and equipment

	Land KD	Buildings on free hold land & lease hold land KD	Motor vehicles KD	Furniture and office equipment KD	Machinery and equipment KD	Capital work in Progress KD	Total KD
Cost							
At 1 January 2015	2,208,068	3,366,775	570,842	4,913,198	7,950,914	71,937	19,081,734
Additions	-	-	44,256	156,184	179,870	245,622	625,932
Disposals	-	-	(23,517)	(7,169)	(85,026)	-	(115,712)
Foreign currency translation adjustment	-	(11,920)	(25,050)	810	16	(17,938)	(54,082)
Transfers	-	-	-	72,300	77,800	(150,100)	-
Write off (Note below)	-	(2,156,354)	(5,950)	(1,206,094)	(5,386,259)	-	(8,754,657)
Transfer to key money (Note 12)	-	-	-	-	-	(70,000)	(70,000)
At 31 December 2015	**2,208,068**	**1,198,501**	**560,581**	**3,929,229**	**2,737,315**	**79,521**	**10,713,215**
Accumulated depreciation							
At 1 January 2015	-	2,284,129	349,287	3,807,423	6,508,461	-	12,949,300
Charge for the year	-	251,150	94,283	545,733	749,690	-	1,640,856
Relating to disposals	-	-	(23,517)	(6,989)	(81,043)	-	(111,549)
Write off (Note below)	-	(2,156,354)	(5,950)	(1,138,799)	(4,965,337)	-	(8,266,440)
Foreign currency translation adjustment	-	(3,391)	(16,991)	(4,696)	13	-	(25,065)
At 31 December 2015	**-**	**375,534**	**397,112**	**3,202,672**	**2,211,784**	**-**	**6,187,102**
Net carrying amount							
At 31 December 2015	**2,208,068**	**822,967**	**163,469**	**726,557**	**525,531**	**79,521**	**4,526,113**

Building with net book value of KD830,430 (2014: KD843,755) is pledged against murabaha payables (Note 19).

Depreciation charge for the year is included under administrative expenses in the consolidated statement of profit or loss.
During the year, a contract with a Kuwaiti Governmental body, under which, the Group provided medical services for 10 years has been ended. Upon expiration of the contract, the Group agreed to hand over all the related items of property, plant and equipment with a net carrying value of KD488,217 as at the ending date to the relevant Governmental body, which has been recognized as a write off property, plant and equipment in the consolidated statement of profit or loss. Further, the Group's management has estimated that an amount of KD1,000,000 is required to upgrade the above mentioned items of property, plant and equipment as mandated by the agreement with the Governmental body, and accordingly this amounts has been recognised as an expense in the consolidated statement of profit or loss during the year. (Note 22 a).

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Notes to the consolidated financial statements (continued)

11 Property, plant and equipment (continued)

	Land	Buildings on free hold land & lease hold land	Motor vehicles	Furniture and office equipment	Machinery and equipment	Capital work in Progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
At 1 January 2014	2,208,068	3,365,798	483,442	4,496,926	7,556,473	161,065	18,271,772
Additions	-	-	143,231	323,967	340,688	144,661	952,547
Disposals	-	-	(57,487)	(2,448)	(3,763)	-	(63,698)
Foreign currency translation adjustment	-	977	1,656	199	389	-	3,221
Transfers	-	-	-	94,554	57,127	(151,681)	-
Transfer to key money (Note 12)	-	-	-	-	-	(82,108)	(82,108)
At 31 December 2014	**2,208,068**	**3,366,775**	**570,842**	**4,913,198**	**7,950,914**	**71,937**	**19,081,734**
Accumulated depreciation							
At 1 January 2014	-	2,005,661	317,106	3,162,153	5,676,546	-	11,161,466
Charge for the year	-	278,232	85,123	645,768	834,854	-	1,843,977
Relating to disposals	-	-	(54,011)	(614)	(3,195)	-	(57,820)
Foreign currency translation adjustment	-	236	1,069	116	256	-	1,677
At 31 December 2014	**-**	**2,284,129**	**349,287**	**3,807,423**	**6,508,461**	**-**	**12,949,300**
Net carrying amount							
At 31 December 2014	**2,208,068**	**1,082,646**	**221,555**	**1,105,775**	**1,442,453**	**71,937**	**6,132,434**

Notes to the consolidated financial statements (continued)

12. Intangible assets

	31 Dec. 2015 KD	31 Dec. 2014 KD
Cost		
At the beginning of the year	**4,056,630**	3,761,483
Disposal of Key money	**-**	(20,000)
Transfer from property, plant and equipment (Note 11)	**70,000**	82,108
Additions	**85,000**	233,039
Impairment in value (Note 12.1 below)	**(2,985,010)**	-
At the end of the year	**1,226,620**	4,056,630
Amortisation		
At the beginning of the year	**1,134,293**	997,684
Disposal of key money	**-**	(4,334)
Charge for the year	**174,567**	140,943
Impairment in value (Note 12.1 below)	**(557,143)**	-
At the end of the year	**751,717**	1,134,293
Net carrying amount		
at the end of the year	**474,903**	2,922,337

12.1 Intangible assets include marketing rights to act as the sole distributor of certain pharmaceutical products of an international company amounting to KD2,427,867 (2014: KD2,427,867). Management has made an impairment of KD2,427,867 for the year ended 31 December 2015 due to the termination of agency agreement subsequent to the reporting date.

12.2 During the year the Parent company transferred KD70,000 (2014: KD82,108) relating to new pharmacies key money from capital work in progress upon commencement of operations in these pharmacies.

13. Investment in associate

Details of the Group's associate at the end of the reporting period are as follows:

Name	Country of incorporation	31 Dec. 2015	31 Dec. 2014	Activities
Al Salam Hospital Company - K.S.C (Closed)	Kuwait	**20.86%**	20.86%	Trading in medicines and medical equipment and related products and providing inpatient and outpatient medical care services

13.1 The above associate is accounted for using the equity method in these consolidated financial statements. The movement in the investment in associate is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Carrying amount of investment in associates:		
At the beginning of the year	**9,876,500**	8,447,868
Share of results for the year	**1,710,934**	1,428,632
Dividend received	**(409,518)**	-
At the end of the year	**11,177,916**	9,876,500

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Notes to the consolidated financial statements (continued)

13. Investment in associate (continued)

13.2 Summarised financial information in respect of Al Salam Hospital Company - KSC (Closed) is set out below. The summarised financial information below represents the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

	31 Dec. 2015 KD	31 Dec. 2014 KD
Non-current assets	**24,152,237**	24,749,298
Current assets	**31,053,891**	24,403,925
Non-current liabilities	**(4,127,802)**	(4,351,858)
Current liabilities	**(5,408,038)**	(5,367,274)
Equity	**45,670,288**	39,434,091

	31 Dec. 2015 KD	31 Dec. 2014 KD
Revenue	**45,257,139**	43,491,994
Profit for the year	**8,198,446**	6,842,483
Total comprehensive income for the year	**8,198,446**	6,842,483

13.3 A reconciliation of the above summarised financial information to the carrying amount of the investment in Al Salam Hospital Company - KSC (Closed) is set out below:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Net assets of the associate attributable to the shareholders of the associate	**45,670,288**	39,434,091
Proportion of the Group's ownership interest in the associate	**20.86%**	20.86%
Interest in the associate	**9,527,536**	8,226,120
Goodwill	**1,650,380**	1,650,380
Carrying value of the investment	**11,177,916**	9,876,500

Al Salam Hospital Company – KSC (Closed), is a non-listed entity. The investment is pledged against the murabaha payables (Note 19).

13.4 The Group's share of associates' contingent liabilities amounted to KD127,246 (2014: KD127,246).

14. Investment at fair value through profit or loss

	31 Dec. 2015 KD	31 Dec. 2014 KD
Designated on initial recognition:		
Local unquoted fund	**263,620**	747,740
	263,620	747,740

Notes to the consolidated financial statements (continued)

14 Investment at fair value through profit or loss (continued)

The movement in the above investment during the year is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at the beginning of the year	**747,740**	820,260
Change in fair value	**197,505**	258,720
Disposal/redemption	**(681,625)**	(331,240)
Balance at the end of the year	**263,620**	747,740

15 Inventories

	31 Dec. 2015 KD	31 Dec. 2014 KD
Goods for resale:		
Medicines	**23,544,993**	21,848,677
Equipment	**10,455,482**	9,263,250
	34,000,475	31,111,927

During the year ended 31 December 2015, an amount of KD1,810,152 (2014: KD589,415) was recognised as a provision for slow moving and expired items in the consolidated statement of profit or loss.

16 Accounts receivable and prepayments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Financial assets:		
Trade accounts receivable (net of impairment)	**44,521,448**	41,808,944
Post-dated cheques	**2,069,088**	2,092,990
Amounts due from related parties (Note 23)	**250,342**	164,231
Other receivables	**1,272,221**	664,150
Reimbursable expenses (net of impairment)	**3,659,033**	2,881,608
Staff receivables	**65,081**	69,109
	51,837,213	47,681,032
Prepayments and other non financial assets:		
Advance to suppliers	**613,614**	339,128
Prepaid expenses	**639,694**	446,951
	1,253,308	786,079
	53,090,521	48,467,111

As at 31 December 2015, trade receivables at nominal value of KD5,150,240 (2014: KD4,969,388) were partially impaired.

Movements in the allowance for impairment of trade receivables and reimbursable expenses were as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
At the beginning of the year	**3,488,191**	3,137,451
Provided during the year	**2,820,568**	350,740
Amounts written off	**(173,373)**	-
At the end of the year	**6,135,386**	3,488,191

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Notes to the consolidated financial statements (continued)

16 Accounts receivable and prepayments (continued)

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			60 days	60 – 90 days	90 – 120 days	120 days
	KD	KD	KD	KD	KD	KD
2015	**44,521,448**	**20,355,594**	**4,975,274**	**3,014,008**	**4,410,672**	**11,765,900**
2014	41,808,944	17,196,904	3,813,710	4,415,387	2,405,397	13,977,546

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

17 Share capital & dividend distribution

	Number of shares		Authorised, Issued and fully paid in cash	
	31 Dec. 2015	31 Dec. 2014	**31 Dec. 2015**	31 Dec. 2014
			KD	KD
Shares of fils 100 each	**181,912,500**	181,912,500	**18,191,250**	18,191,250

The Board of Directors of the Parent Company proposed not to distribute any dividend for the year ended 31 December 2015.

The Annual General Assembly (AGM) of the Parent Company's shareholders held on 12 May 2015 approved the consolidated financial statements for the year ended 31 December 2014 and board of directors proposed not to distribute any dividend for the year then ended.

The annual General Assembly of the Parent Company's shareholders held on 12 May 2014 approved the consolidated financial statements for the year ended 31 December 2013 and the distribution of bonus shares of 5% amounting to KD866,250 of the Parent Company's paid up share capital to the shareholders registered in the Parent Company records at the date of the General Assembly and it was registered at commercial register on 26 May 2014.

18 Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Directors' remuneration, is to be transferred to the statutory reserve. The General Assembly may resolve to discontinue such annual transfers if the reserve exceeds 50% of the share capital.

No transfer required in the year of loss or where cumulative loss exists.

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

Notes to the consolidated financial statements (continued)

18 Reserves (continued)

Voluntary reserve

In accordance with the Parent Company's Articles of Association, a certain percentage that does not exceed 10% of the Parent Company's profit for the year may be transferred to the voluntary reserve at the discretion of the Board of Directors which is to be approved by shareholders at the General Assembly meeting. For the year ended 31 December 2015, the Board of the Parent Company of Directors at the Parent Company proposed not to make any transfer to the voluntary reserve. This proposal is subject to approval of the Parent Company's shareholder at the General Assembly. There are no restrictions on distribution of voluntary reserve.

General reserve

In accordance with the Parent Company's Article of Association, the remaining profit for the year after contribution to KFAS, NLST, Zakat and Director's remuneration, statutory and voluntary reserves is to be transferred to the retained earnings or the General reserve based on the proposal of the Board of Directors. For the year ended 31 December 2015, the Board of Directors proposed not to make any transfer to the General reserve.

19 Murabaha payables

Murabaha payables represent commodities purchased on a deferred settlement basis from local Islamic banks which carries effective profit payable rates ranging from 2.85% to 3.75% (2014: 2.85% to 3.25%) per annum. The murabahas are payable on different dates ending 30 April 2017 and are secured over certain property, plant and equipment with net book value of KD830,430 (2014: KD843,755) (Note 11) and against an investment in an associate with carrying value of KD11,177,916 (2014: KD9,876,500) (Note 13). Amounts payable within the next twelve months are shown as current liabilities in the consolidated statement of financial position.

20 Employees' end of service benefits

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Provision at the beginning of the year	**2,448,758**	2,589,237
Provided during the year	**601,523**	708,039
Payments during the year	**(546,672)**	(848,518)
Provision at the end of the year	**2,503,609**	2,448,758

21 Accounts payable and accruals

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Financial liabilities		
Trade accounts payable	**27,072,383**	19,658,888
Amounts due to related parties (Note 23)	**-**	50,279
Other payables	**1,806,406**	2,205,454
Provision for upgrade of property, plant and equipment (Note 11)	**1,000,000**	-
Accrued expenses	**2,469,038**	2,167,469
	32,347,827	24,082,090
Non-financial liabilities		
Advances from customers	**128,909**	431,385
	128,909	431,385
	32,476,736	24,513,475

Notes to the consolidated financial statements (continued)

22 Contingent assets and liabilities

(a) The Parent Company has submitted certain claims of KD28,265,853 (2014: KD21,472,097) related to additional services provided to one of the projects with the government. However, these claims have not yet been approved. The contract has been ended during the year (Note 11).

(b) At 31 December 2015 the Group had contingent liabilities in respect of outstanding letters of guarantees arising in the ordinary course of business amounting to KD20,540,353 (2014: KD20,917,056).

23 Related party transactions

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balances included in the consolidated statement of financial position:		
Due from related parties (Note 16)		
- associate company	**250,342**	164,231
	250,342	164,231
Due to related parties (Note 21)		
- other related parties	**-**	50,279
	-	50,279

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Transactions included in the consolidated statement of profit or loss		
Sales to associate	**1,293,110**	1,202,917
Utilised inventory assigned to customers – Associate Company	**-**	487
Other operating income – reversal of excess provision	**-**	56,000
Compensation of key management personnel		
Directors remuneration	**-**	49,000
Short-term benefits	**179,062**	321,058
End of service benefits	**11,926**	21,032
	190,988	391,090

Notes to the consolidated financial statements (continued)

24 Segmental information

The Group's primary basis of segment reporting is by business segments, which consist of medical and related activities and investments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

	Medical and related activities KD	**Investments KD**	**Total KD**
At 31 December 2015			
Segment revenue	**108,583,387**	**-**	**108,583,387**
Segment results	**(7,555,676)**	**1,908,439**	**(5,647,237)**
Unallocated expenses			**(1,357,977)**
Loss for the year	**-**	**-**	**(7,005,214)**
Segment assets	**98,499,533**	**11,520,916**	**110,020,449**
Less: Segment liabilities	**(34,980,345)**	**-**	**(34,980,345)**
	63,519,188	**11,520,916**	**75,040,104**
Less: Murabaha payables	**-**	**-**	**(45,816,900)**
Total equity			**29,223,204**
Other segment information			
Share of results of an associate	**-**	**1,710,934**	**1,710,934**
Depreciation and amortisation	**1,815,423**	**-**	**1,815,423**
Finance costs (included in unallocated expenses)	**-**	**-**	**1,261,967**
Other disclosures			
Investment in an associate	**-**	**11,177,916**	**11,177,916**
Capital expenditure	**625,932**	**-**	**625,932**
At 31 December 2014			
Segment revenue	107,295,111	-	107,295,111
Segment results	1,940,578	1,687,352	3,627,930
Unallocated expenses	-	-	(1,581,105)
Profit for the year	-	-	2,046,825
Segment assets	98,089,575	10,703,620	108,793,195
Less: Segment liabilities	(26,962,233)	-	(26,962,233)
	71,127,342	10,703,620	81,830,962
Less: Murabaha payables	-	-	(45,450,568)
Total equity			36,380,394
Other segment information			
Share of results of an associate	-	1,428,632	1,428,632
Depreciation and amortisation	1,984,920	-	1,984,920
Finance costs (included in unallocated expenses)	-	-	1,283,718
Other disclosures			
Investment in an associate	-	9,876,500	9,876,500
Capital expenditure	952,547	-	952,547

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Notes to the consolidated financial statements (continued)

24 Segmental information (continued)

Geographic information

The Group reports its secondary segmental information according to geographical location of its customers as follows:

	Dubai KD	Kuwait KD	Egypt KD	Total KD
At 31 December 2015				
Segment revenue	**311,158**	**101,625,539**	**6,646,690**	**108,583,387**
At 31 December 2014				
Segment revenue	757,014	100,157,638	6,380,459	107,295,111

25 Financial risk management objective and policies

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group principal financial liabilities comprise murabaha payable and accounts payable and accruals. The main purpose of these financial liabilities is to raise finance for the Group operation. The Group has various financial assets such as bank balance and accounts receivable which are directly from its operations.

The Group is exposed to credit risk, liquidity risk, market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

No significant changes were made in the risk management objectives and policies during the years ended 31 December 2015 and 31 December 2014.

25.1 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 variables. Market risk comprises three types of risk: foreign currency risk, equity price risk and profit rate risk.

a) Profit rate risk

Profit 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 is not exposed to profit rate risk as its financial instruments are Islamic financial instruments with fixed profit rate.

b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk on its foreign trade receivable and payables that are denominated in a currency other than the Kuwaiti Dinar. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

Notes to the consolidated financial statements (continued)

25 Financial risk management objective and policies (continued)

25.1 Market risk (continued)

b) *Foreign currency sensitivity (continued)*

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the foreign currencies, with all other variables held constant, on the consolidated financial statements:

	Change in currency rate	Effect on results for the year KD	Effect on other comprehensive (loss)/income for the year KD
2015			
US Dollar	**(+/-) 5%**	**(867,076)**	**867,076**
Euro	**(+/-) 5%**	**(63,917)**	**63,917**
Egyptian Pounds	**(+/-) 5%**	**-**	**70,742**
Others	**(+/-) 5%**	**(14,667)**	**14,667**
2014			
US Dollar	(+/-) 5%	(588,316)	588,316
Euro	(+/-) 5%	(125,595)	125,595
Egyptian Pounds	(+/-) 5%	-	71,202
Others	(+/-) 5%	(7,941)	7,941

c) Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the finance department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investments classified as fair value through profit or loss or financial assets available for sale.
The effect of change in the fair value of unquoted equity instruments at the reporting date due to a reasonable possible change in the equity indices, with all other variables held as constant, is not expected to be significant.

25.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, accounts receivable and certain other assets reflected in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

Maximum risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group sells its products to a large number of customers and 80% of outstanding trade accounts receivable at 31 December 2015 (2014: 78%) are concentrated with Governmental agencies.

With respect to credit risk arising from the other financial assets of the Group, including bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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Notes to the consolidated financial statements (continued)

25 Financial risk management objective and policies (continued)

25.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 45-90 days of the date of sale. Trade accounts payable are normally settled within 60 to 90 days of the date of purchase. The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2015 and 31 December 2014, based on contractual payment dates and current market profit rates.

	Less than 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD
31 December 2015				
Murabaha payable	**35,182,712**	**8,499,893**	**2,752,993**	**46,435,598**
Accounts payable and accruals	**27,732,537**	**4,615,290**	**-**	**32,347,827**
Total	**62,915,249**	**13,115,183**	**2,752,993**	**78,783,425**

	Less than 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD
31 December 2014				
Murabaha payable	41,431,909	948,440	3,505,970	45,886,319
Accounts payable and accruals	21,029,533	3,052,557	-	24,082,090
Total	62,461,442	4,000,997	3,505,970	69,968,409

25.4 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 risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

26 Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

Notes to the consolidated financial statements (continued)

26 Capital risk management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, murabaha payables and accounts payable and accruals, less bank balances and cash. Equity represents total equity attributable to equity owners.

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Murabaha payables	**45,816,900**	45,450,568
Accounts payable and accruals	**32,476,736**	24,513,475
Less: bank balances and cash	**(6,407,521)**	(9,455,766)
Net debt	**71,886,115**	60,508,277
Total equity	**29,223,204**	36,380,394
Equity and net debt	**101,109,319**	96,888,671
	71%	61%

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

27.1 Categories of financial assets and liabilities

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

	31 Dec. 2015	31 Dec. 2014
	KD	KD
Financial assets:		
Loans and receivables (at amortised cost):		
• Accounts receivable (Note 16)	**51,837,213**	47,681,032
• Bank balance and cash	**6,407,521**	9,455,766
	58,244,734	57,136,798
Assets at fair value through profit or loss:		
Investments at fair value through profit or loss (Note 14)		
- Designated on initial recognition	**263,620**	747,740
	263,620	747,740
Available for sale investments		
- At cost	**79,380**	79,380
	79,380	79,380
Total financial assets	**58,587,734**	57,963,918
Financial liabilities:		
At amortised cost		
• Accounts payable & accruals (Note 21)	**32,347,827**	24,082,090
• Murabaha payables	**45,816,900**	45,450,568
Total financial liabilities	**78,164,727**	69,532,658

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Notes to the consolidated financial statements (continued)

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

27.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities are considered a reasonable approximation of their fair values. The measurement details of Investments at fair value though profit or loss which are carried at fair value are disclosed below.

27.3 Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

27.4 Fair value measurement of financial instruments

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

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
At 31 December 2015					
Assets at fair value					
Investments at fair value through profit or loss					
- Local unquoted fund	**a**	**-**	**-**	**263,620**	**263,620**
At 31 December 2014					
Assets at fair value					
Investments at fair value through profit or loss					
- Local unquoted fund	a	-	-	747,740	747,740

During the year ended 31 December 2015 and 31 December 2014, there were no transfers between hierarchies.

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

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

Notes to the consolidated financial statements (continued)

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

27.4 Fair value measurement of financial instruments (continued)

a) Local unquoted fund (level 3)

The fair value of the local unquoted fund has been determined based on net asset values reported by the fund manager as of the reporting date.

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at the beginning of the year	**747,740**	820,260
Net change in fair value recognised in profit or loss	**197,505**	258,720
Amount received upon partial redemption of investment	**(681,625)**	(331,240)
Balance at the end of the year	**263,620**	747,740

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

28 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation of the consolidated financial statements in the current year. Such reclassification does not affect previously reported net assets, net equity and net results for the year or net increase in cash and cash equivalents.

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