

MUBARRAD HOLDING COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
(FORMERLY MUBARRAD TRANSPORTATION COMPANY - K.S.C.P.)
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH
INDEPENDENT AUDITOR'S REPORT

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AND ITS SUBSIDIARIES
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mubarrad Holding Company - K.S.C.P. and its Subsidiaries
(Formerly Mubarrad Transportation Company - K.S.C.P.)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mubarrad Holding Company K.S.C.P. (Formerly Mubarrad Transportation Company - K.S.C.P.) (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be considered in our report.

Sale of investment in associate

Pursuant to the Parent Company's Board of Directors' minutes of meeting held on March 9, 2017 and a sale agreement signed on March 12, 2017, the Parent Company sold its entire equity interest in the associate - Inshaa Holding Co. - K.S.C. (Holding). We have identified the sale of Inshaa Holding Co. - K.S.C. (Holding) as a key audit matter because of its financial significance to the consolidated financial statements as the sale transaction significantly affected the composition of the Group's businesses and activities and therefore significant audit effort was required. The Group recorded a gain on disposal of KD 1.66 million from the sale of Inshaa Holding Co. - K.S.C. (Holding), details of the transaction is disclosed in Note 9. We tested the accuracy of the recorded gain on sale, obtained supporting documents related to authorization of the sale deal, verified sale agreement and cash proceeds collected.

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Valuation of Investment Properties

The valuation of the investment property is important to our audit as it represents a significant judgment area and an important part of the total assets of the Group. The valuation of the investment property is highly dependent on estimates. We therefore identified the valuation of investment property as a key audit matter. The Group policy is that property valuations are performed by licensed appraisers at least once a year. These valuations are amongst others based on assumptions, such as estimated rental revenues, discount rates, occupancy rates, market knowledge, developers risk and historical transactions. In estimating the fair value of investment properties, appraisers used the valuation techniques i.e. discounted cash flow method and sales comparison, and considered the nature and usage of the investment properties. We reviewed the valuation reports from the licensed appraisers. We further focused on the adequacy of the disclosures about the valuation of investment properties. Disclosures of this item are included in Note 10 to the consolidated financial statements.

Other Information

Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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


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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the 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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended December 31, 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait
March 1, 2018



Nayef M. Al-Bazie
Licence No. 91-A
RSM Albazie & Co.

MUBARRAD HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
(FORMERLY MUBARRAD TRANSPORTATION COMPANY - K.S.C.P.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Notes	2017	2016
Current assets:			
Cash and cash equivalents	3	2,140,122	1,430,086
Investment deposits	4	4,000,000	1,650,000
Accounts receivable and other debit balances	5	2,209,214	847,272
Due from a related party	6	-	15,000
Inventories	7	763,004	722,581
Total current assets		9,112,340	4,664,939
Non-current assets:			
Financial assets available for sale	8	1,002,100	1,275,321
Investment in associates	9	3,815,271	7,073,164
Investment properties	10	8,349,003	8,609,102
Property, plant and equipment	11	1,568,270	1,620,340
Goodwill		91,005	91,005
Total non-current assets		14,825,649	18,668,932
Total assets		23,937,989	23,333,871
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Finance lease payables	12	1,830,090	1,927,778
Accounts payable and other credit balances	13	1,097,452	1,208,669
Due to a related party	6	700	700
Total current liabilities		2,928,242	3,137,147
Non-current liabilities			
Finance lease payables	12	913,215	1,246,759
Provision for end of service indemnity	14	369,876	318,081
Total non-current liabilities		1,283,091	1,564,840
Total liabilities		4,211,333	4,701,987
Equity:			
Share capital	15	16,369,277	16,369,277
Statutory reserve	16	777,717	582,386
Treasury shares reserve		84,388	84,388
Cumulative changes in fair value		15,072	15,561
Effect of changes in ownership interest of a subsidiary		1,588	1,588
Effect of changes in other comprehensive income of associates		117,874	57,062
Foreign currencies translation reserve		(1,785,944)	(1,811,312)
Retained earnings		4,089,333	3,281,001
Equity attributable to Shareholders of the Parent Company		19,669,305	18,579,951
Non-controlling interests		57,351	51,933
Total equity		19,726,656	18,631,884
Total liabilities and equity		23,937,989	23,333,871

The accompanying notes (1) to (26) form an integral part of the consolidated financial statements.

Abdullah Mohammed Al-Shatti
Chairman

MUBARRAD HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
(FORMERLY MUBARRAD TRANSPORTATION COMPANY - K.S.C.P.)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Notes	2017	2016
Net sales		1,421,071	1,091,716
Cost of sales		(1,064,502)	(798,233)
Gross profit		356,569	293,483
Revenues from transportation, leasing and maintenance operations		904,915	784,486
Cost of transportation, leasing and maintenance operations		(560,155)	(507,624)
Gross profit		344,760	276,862
Rental revenues		1,171,833	979,249
Rental costs		(224,241)	(208,437)
Gross profit		947,592	770,812
Total gross profit		1,648,921	1,341,157
General and administrative expenses	18	(733,350)	(660,172)
Depreciation	11	(38,373)	(38,434)
Provision for doubtful debts	5	(21,978)	-
Provisions for doubtful debts no long required	5	16,960	69,852
Profit from operations		872,180	712,403
Investment income		58,455	51,222
Impairment loss on financial assets available for sale	8	(198,195)	(78,436)
Share of results from associates	9	138,432	745,088
Gain on sale of investment in associate	9	1,662,922	-
Loss on sale of a subsidiary		-	(1,653)
Change in fair value of investment properties	10	(394,946)	1,583,530
Return income		84,544	32,278
Finance charges		(216,227)	(197,256)
Foreign currencies exchange differences		14,568	(1,504,203)
Other income		21,550	4,859
Other provisions		(84,546)	-
Profit for the year before contributions to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		1,958,737	1,347,832
Contribution to KFAS	2 (s)	(14,920)	(7,476)
NLST	2 (t)	(48,062)	(29,205)
Contribution to Zakat	2 (u)	(16,229)	(7,083)
Board of Directors' remuneration	21	(30,000)	(30,000)
Profit for the year		1,849,526	1,274,068
<u>Attributable to</u>			
Shareholders of the Parent Company		1,844,099	1,267,858
Non-controlling interests		5,427	6,210
		1,849,526	1,274,068
		<u>Fils</u>	<u>Fils</u>
Basic and diluted earnings per share attributable to Shareholders of the Parent Company	19	11.27	7.74

The accompanying notes (1) to (26) form an integral part of the consolidated financial statements.

MUBARRAD HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
(FORMERLY MUBARRAD TRANSPORTATION COMPANY - K.S.C.P.)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Notes	2017	2016
Profit for the year		1,849,526	1,274,068
Other comprehensive income (loss):			
<u>Items that may be reclassified subsequently to consolidated statement of profit or loss</u>			
<u>Related to financial assets available for sale:</u>			
Change in fair value of financial assets available for sale	8	(498)	36,394
Transferred to consolidated statement of profit or loss on impairment of financial assets available for sale	8	-	(22,436)
Transferred to consolidated statement of profit or loss upon sale of investment in associate		38,840	-
Transferred to consolidated statement of profit or loss on sale of investment in subsidiary		-	1,361
Share of other comprehensive income from associates		-	4,648
Exchange differences on translating foreign operations		25,368	(2,058,237)
		<u>63,710</u>	<u>(2,038,270)</u>
<u>Items that will not be reclassified subsequently to consolidated statement profit or loss</u>			
Share of gain on revaluation of property, plant and equipment of associate		-	41,308
Other comprehensive income (loss) for the year		<u>63,710</u>	<u>(1,996,962)</u>
Total comprehensive income (loss) for the year		<u>1,913,236</u>	<u>(722,894)</u>
Attributable to:			
Shareholders of the Parent Company		1,907,818	(719,409)
Non-controlling interests		5,418	(3,485)
		<u>1,913,236</u>	<u>(722,894)</u>

The accompanying notes (1) to (26) form an integral part of the consolidated financial statements.

**MUBARRAD HOLDING CO. K.S.C.P. AND ITS SUBSIDIARIES
(FORMERLY MUBARRAD TRANSPORTATION COMPANY K.S.C.P.)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company										
	Share Capital	Statutory reserve	Treasury shares reserve	Cumulative changes in fair value	Effects of change in ownership interest of a subsidiary	Effects of changes in other comprehensive income of associates	Foreign currencies translation reserve	Retained earnings	Sub-total	Non - controlling interests	Total equity
Balance at January 1, 2017	16,369,277	582,386	84,388	15,561	1,588	57,062	(1,811,312)	3,281,001	18,579,951	51,933	18,631,884
Profit for the year	-	-	-	-	-	-	-	1,844,099	1,844,099	5,427	1,849,526
Total other comprehensive (loss) income for the year	-	-	-	(489)	-	60,812	25,368	(21,972)	63,719	(9)	63,710
Total comprehensive (loss) income for the year	-	-	-	(489)	-	60,812	25,368	1,822,127	1,907,818	5,418	1,913,236
Cash dividends 5% (Note 20)	-	-	-	-	-	-	-	(818,464)	(818,464)	-	(818,464)
Transferred to statutory reserve	-	195,331	-	-	-	-	-	(195,331)	-	-	-
Balance at December 31, 2017	16,369,277	777,717	84,388	15,072	1,588	117,874	(1,785,944)	4,089,333	19,669,305	57,351	19,726,656
Balance at January 1, 2016	16,369,277	448,224	84,388	1,567	1,588	11,106	235,905	2,965,769	20,117,824	55,418	20,173,242
Profit for the year	-	-	-	-	-	-	-	1,267,858	1,267,858	6,210	1,274,068
Total other comprehensive income (loss) for the year	-	-	-	13,994	-	45,956	(2,047,217)	-	(1,987,267)	(9,695)	(1,996,962)
Total comprehensive income (loss) for the year	-	-	-	13,994	-	45,956	(2,047,217)	1,267,858	(719,409)	(3,485)	(722,894)
Cash dividends 5% (Note 20)	-	-	-	-	-	-	-	(818,464)	(818,464)	-	(818,464)
Transferred to statutory reserve	-	134,162	-	-	-	-	-	(134,162)	-	-	-
Balance at December 31, 2016	16,369,277	582,386	84,388	15,561	1,588	57,062	(1,811,312)	3,281,001	18,579,951	51,933	18,631,884

The accompanying notes (1) to (26) form an integral part of the consolidated financial statements.

