

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
(FORMERLY MUBARRAD TRANSPORTATION COMPANY - K.S.C.P.)
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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.

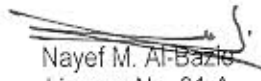
We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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)

	ASSETS	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
LIABILITIES AND EQUITY				
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
		Fils	Fils
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		<u>1,849,526</u>	<u>1,274,068</u>
Other comprehensive income (loss):			
<u>Items that may be reclassified subsequently to consolidated statement of profit or loss</u>			
Related to financial assets available for sale:			
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		<u>25,368</u>	<u>(2,058,237)</u>
		<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		<u>5,418</u>	<u>(3,485)</u>
		<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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	Notes	2017	2016
Cash flows from operating activities:			
Profit for the year from before contributions to KFAS, NLST, Zakat and Board of Directors' remuneration		1,958,737	1,347,832
Adjustments for:			
Depreciation	11	59,424	59,715
Provision for doubtful debts	5	21,978	-
Provision for doubtful debts no longer required	5	(16,960)	(89,852)
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	197,456
Other provisions		84,546	-
Provision for end of service indemnity	14	57,659	59,486
Gain on disposal of property, plant and equipment		(3,149)	(118)
		<u>1,027,250</u>	<u>(737,510)</u>
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(88,164)	98,246
Due from a related party		9,737	(15,000)
Inventories		(40,423)	(218,678)
Accounts payable and other credit balances		<u>152,734</u>	<u>(137,443)</u>
Cash flows generated from (used in) operations		1,061,134	(1,010,385)
Payment for end of service indemnity	14	(5,864)	(39,645)
Payment of KFAS		(7,476)	(12,147)
Payment of NLST		(29,205)	(60,438)
Payment of Zakat		(6,663)	(18,990)
Payment of Board for Directors' remuneration		<u>(30,000)</u>	<u>(25,000)</u>
Net cash flows generated from (used in) operating activities		<u>981,926</u>	<u>(1,166,605)</u>
Cash flows from investing activities:			
Net increase in investment deposits		(2,350,000)	(844,266)
Proceeds from sale of investment in an associate	9	3,669,197	-
Proceeds from sale of financial assets available for sale		242,801	112,178
Paid for additions of property, plant and equipment	11	(7,355)	(11,184)
Paid for additions of investment properties	10	-	(12,920)
Proceeds from sale of property, plant and equipment		3,150	120
Dividend received from an associate	9	-	200,224
Dividend income received		18,181	-
Interest income received		<u>64,565</u>	<u>32,278</u>
Net cash flows generated from (used in) investing activities		<u>1,640,539</u>	<u>(323,570)</u>
Cash flows from financing activities:			
Paid for finance lease installments		(426,422)	(358,696)
Dividends paid		(1,202,828)	(401,199)
Finance charges paid		<u>(221,037)</u>	<u>(197,456)</u>
Net cash flows used in financing activities		<u>(1,850,287)</u>	<u>(957,351)</u>
Foreign currencies translation adjustments		<u>(62,142)</u>	<u>1,590,472</u>
Net increase (decrease) in cash and cash equivalents		710,036	(857,054)
Cash related to a subsidiary disposed off		-	(1,018)
Cash and cash equivalents at beginning of the year		<u>1,430,086</u>	<u>2,288,158</u>
Cash and cash equivalents at end of the year	3	<u>2,140,122</u>	<u>1,430,086</u>

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

1. Incorporation and activities of the Parent Company

Mubarrad Holding Company K.S.C.P. "the Parent Company" (Formerly Mubarrad Transportation Company - K.S.C.P.), is a Kuwaiti Public Shareholding Company registered in State of Kuwait and was incorporated pursuant to memorandum of Incorporation of a limited liability Company, authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department – under No. 366/Volume 1 dated March 6, 1996 and its subsequent amendments, the latest of which was notarized on the Company's Commercial Registry pursuant to a Memorandum No. 5/12 dated December 4, 2017 issued from Shareholding Companies' Administration, based on the Parent Company's Shareholders Extraordinary General Assembly meeting held on November 22, 2017, which approved the following:

Amending Article No. (2) of the Parent Company's Memorandum of Incorporation and Article No. (1) of the Articles of Association regarding the Parent Company's name, as follows:

Articles after amendment : The name of the Parent Company is "Mubarrad Holding Company - K.S.C.P."

Amending Article No. (5) of the Parent Company's Memorandum of Incorporation and Article No. (4) of the Articles of Association related to the Parent Company's activities as follows:

The main activities for which the Parent Company was incorporated are as follows:

- Managing the Parent Company's subsidiaries and participating in managing other companies in which it holds ownership stakes and providing necessary support thereto.
- Investing funds through trading in shares, bonds, and other financial securities.
- Acquisition of properties and movables necessary to carry out business activities as allowable by the Law.
- Financing and extending loans to investee companies and providing guarantees to third parties, provided that the ownership of the Parent Company is not less than 20% in the capital of the lending company.
- Acquisition of industrial rights and related intellectual properties, trademarks, industrial models, franchises and other rights, and renting such properties and rights to subsidiaries and other companies, inside State of Kuwait or abroad.

The Parent Company shall comply with the provisions of Islamic Shari'a, and in no case it shall interpret the above activities as permitting the Parent Company to carry out any usurious business in the form of interest or any other form directly or indirectly.

The Parent Company may perform directly all of the above activities inside or outside the State of Kuwait or through agents on its behalf. The Parent Company may have an interest or participation in entities of similar activities which could assist the Parent Company in achieving its objectives inside or outside the State of Kuwait. The Parent Company may also establish, participate in or acquire such entities.

The Parent Company is registered in the commercial register under Ref. No. 64715 on October 10, 2004.

The registered address of the Parent Company's office is Old Khaitan, Block 29, Street 22, State of Kuwait.

The Parent Company is 39.152% owned by A'ayan Leasing and Investment Group K.S.C. (Public) ("The Ultimate Parent Company").

The consolidated financial statements of the Group were authorized for issue by the Parent Company's Board of Directors on March 1, 2018. The consolidated financial statements are subject to approval by The Parent Company's shareholders' Ordinary General Assembly. The Parent Company's shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant Accounting policies

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

Significant accounting policies are summarized as follows:

a) Basis of preparation

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

Standards and Interpretations issued and effective

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2017:

Amendment to IAS 7 – Disclosure Initiative

The amendment to this standard which is effective prospectively for annual periods beginning on or after January 1, 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to IFRSs 2014 – 2016 Cycle:

Amendments to IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments are effective from January 1, 2017 and must be applied retrospectively.

These amendments do not have any material impact on the consolidated financial statements.

Standards and Interpretations issued but not effective

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

IFRS 9 - Financial Instruments

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

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The recognition and derecognition provisions are carried over almost unchanged from IAS 39.

The management anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements when it becomes mandatory and will not restate comparative information. Management is in the process of assessing the full impact of IFRS 9 on the Group's consolidated financial statements based on an analysis of the Group's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date. However, as the management are still in the process of assessing the full impact of the application of IFRS 9 on the Group consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

Apart from equity investments classified currently as available-for-sale and measured at fair value through other comprehensive income that should be measured at fair value through profit or loss under IFRS 9, all the other Group's financial assets and financial liabilities should continue to be measured on the same bases as currently under IAS 39.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

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

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

Management of the Group anticipate that IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory, and they intend to use the retrospective method of transition wherein the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of the retained earnings and will not restate comparative information

Based on the current accounting treatment of the Group's major sources of revenue, the management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group, apart from providing more extensive disclosures on the Group's revenue transactions. However, as the management are still in the process of assessing the full impact of the application of IFRS 15 on the Group consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to assess the potential effects of IFRS 16 on its consolidated financial statements in 2018.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation will be effective for annual periods beginning on or after January 1, 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments clarify that:

- a) An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- b) If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted.

Amendments to IAS 40 – Transfers of Investment Property

The amendment will be effective for annual periods beginning on or after January 1, 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of these standards and amendments.

b) Basis of consolidation:

The consolidated financial statements incorporate the financial statements of Mubarrad Holding Co. K.S.C.P. (the Parent Company) and the following subsidiaries (collectively, the "Group"):

Name of subsidiaries	Country of incorporation	Principal activities	Percentage of holding (%)	
			2017	2016
Batic Manufacturing Co. - W.L.L. *	State of Kuwait	Industrial	99%	99%
Mubarrad for Development and Limited Investment Co. W.L.L.	Republic of Sudan	Logistics services	100%	100%
Emdad Equipment Leasing Co. K.S.C. (Closed)	State of Kuwait	Logistics services	98%	98%
Takatof Real Estate Co. E.S.C. *	Arab Republic of Egypt	Real estate	98%	98%

* The effective ownership interest of the Group in these subsidiaries is 100%.

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

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

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

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- 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; and
- Reclassifies the Parent Company's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement profit or loss or retained earnings as appropriate.

c) Financial instruments:

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

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

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, investment deposits, accounts receivables, due to/from related parties, financial assets available for sale, finance lease payables, payables.

- **Financial assets:**

- 1. Cash and cash equivalents

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

- 2. Term Deposits

- Term deposits are placed with banks and have a contractual maturity of more than three months.

3. Accounts receivable

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

4. Financial investments

Initial recognition and measurement

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

Financial assets available for sale

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

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

Subsequent measurement

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

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

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

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

Derecognition

A financial asset (in whole or in part) is derecognized either when:

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

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss. For debt securities, objective evidence of impairment include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest and principal payments, it becoming probable that the borrower will enter bankruptcy or financial reorganization or the disappearance of an active market for the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses recognized for available for sale debt instruments are reversed through the consolidated statement of profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was previously recognized.

- **Financial liabilities:**

1. Accounts payable

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

2. Finance lease payables

Finance lease payables represent amounts payable on a deferred settlement basis for items purchased under financing contracts. Financing contracts are stated at the gross amount of the payable, net of deferred expenses payable in the future. Financing contracts expenses are recognized when matured on a time proportion basis using effective returns method.

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 the consolidated statement of profit or loss.

d) Inventories

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

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

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

e) Investment properties

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

Property interest that is held under an operating lease is classified and accounted for as investment property when the property would otherwise meet the definition of an investment property and the lessee uses the fair value model. The operating lease is accounted for as if it were a finance lease.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

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

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

f) Investment in associates

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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

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

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

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

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

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

g) Business combinations and Goodwill

a) Business Combinations

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

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

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

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

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

b) Goodwill

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

h) Property, plant and equipment

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value 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.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	Years
Buildings	20
Tools	4 – 6
Machinery & equipment	5 – 10
Transportation vehicles	6 – 10
Furniture and decoration	4 - 5

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

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

i) Impairment of assets

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

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

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

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

j) End of service indemnity

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

k) Dividend distribution to shareholders

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

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

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

l) Share capital

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

m) Treasury shares

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

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

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

n) Other Reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

o) Revenue recognition

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

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

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Transportation contracts

Revenue from transportation contract is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract.

Interest income

Interest income is recognized using the effective interest method.

Dividend income

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

Rent

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

Gain on sale of investments

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

Other income and expenses

Other income and expenses are recognized on an accrual basis.

p) **Provisions**

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

q) **Finance costs**

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

r) **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) **Finance lease:**

a) **The Group as lessee**

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

(ii) **Operating lease:**

a) **The Group as lessor**

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

b) **The Group as lessee**

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

s) **Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)**

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company before contribution to Kuwait Foundation for Advancement of Science (KFAS), contribution to National Labor Support Tax (NLST), Zakat and Board of Director's remuneration, and after deducting its share of income from Kuwait shareholding subsidiaries and associates and transfer to statutory reserve.

t) National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the profit of the Parent Company before contribution to Kuwait Foundation for Advancement of Science (KFAS), contribution to National Labor Support Tax (NLST), Zakat and Board of Director's remuneration after deducting its share of profit from listed associates & un-consolidated subsidiaries subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

u) Contribution to Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company before contributions to Kuwait Foundation for Advancement of Science (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Director's remuneration after deducting its share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

v) Foreign currencies

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

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

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

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

w) Contingencies

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

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

x) Segment reporting

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

y) Critical accounting estimates and judgments

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

a) Judgments

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

(i) Revenue Recognition

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

(ii) Classification of land

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

- 1) Properties under development:
When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.
- 2) Work in progress:
When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.
- 3) Properties held for trading:
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.
- 4) Investment properties:
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

the Group classifies the land as investment properties when the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined.

(iii) Provision for doubtful debts and inventories

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

(iv) Classification of financial assets

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

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

(v) Impairment of financial assets

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

(vi) Business combinations

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

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

(vii) Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(viii) Control assessment

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

b) Estimates and assumptions:

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

(i) Fair value of unquoted financial assets

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

(ii) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Provision for doubtful debts and inventories

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

(iv) Valuation of investment properties

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

- (a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- (b) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- (c) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(v) Impairment of non-financial assets

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

3. Cash and cash equivalents

	2017	2016
Cash on hand and at banks	1,265,122	1,430,086
Short term bank deposits	875,000	-
	<u>2,140,122</u>	<u>1,430,086</u>

The effective rate of return on short term bank deposit is 1.75% (2016: Nil) per annum; this deposit has an average contractual maturity of 91 days.

4. Investment deposits

The effective rate of return on investment deposits is 2.7% (2016: 2.25%) per annum. Those deposits have an average maturity range of 94 to 181 days (2016: 188 days).

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5. Accounts receivable and other debit balances

	2017	2016
Trade receivables (a)	2,237,516	2,361,799
Less: provision for doubtful debts (b)	(1,569,149)	(1,736,320)
	668,367	625,479
Staff receivables	59,287	37,876
Less: provision for doubtful debts	(6,618)	(6,618)
	52,669	31,058
Other receivables (c)	1,262,466	-
Advance payments to suppliers	68,744	45,966
Prepaid expenses	45,468	50,103
Accrued income	21,045	12,902
Refundable deposits	51,950	55,507
Cheques under collection	38,505	26,257
	<u>2,209,214</u>	<u>847,272</u>

(a) **Trade receivables:**

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

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
	Less than 90 days	91 – 180 days	181 – 365 days	More than one year		
2017	478,583	100,360	89,424	-	1,569,149	2,237,516
2016	296,982	229,620	69,600	29,277	1,736,320	2,361,799

As of December 31, 2017, trade receivables amounting to KD 189,784 (2016 - KD 328,497) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

(b) **Provision for doubtful debts:**

The movement on the provision for doubtful debts is as follows:

	2017	2016
Balance at the beginning of the year	1,736,320	1,929,573
Charge for the year	21,978	-
Utilized during the year	(172,189)	(123,401)
Provision no longer required	(16,960)	(69,852)
Balance at the end of the year	<u>1,569,149</u>	<u>1,736,320</u>

- (c) Other receivables include an amount of KD 1,250,888 represents the Parent Company's share in the excluded assets of the disposed associate, which were waived for its benefit at the date of disposal of the associate and currently in the process of being transferred to its name, pursuant to the sale agreement as disclosed in Note 9.

6. Related parties disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, key management personnel, associates entities under common control and other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party transactions and balances are as follows:

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Balances included in the consolidated statement of financial position

	Major Shareholders	Other related parties	Total	
			2017	2016
Due from a related party	-	-	-	15,000
Investment property (real estate portfolio managed by a related party)	2,351,000	-	2,351,000	2,450,000
Investments available for sale	139,880	150,000	289,880	350,000
Due to a related party	700	-	700	700

Transactions included in the consolidated statement of profit or loss

	Major Shareholders	Other related parties	Total	
			2017	2016
Rental revenues	-	58,000	58,000	60,000
Rental costs	4,886	-	4,886	4,917

Compensation to key management personnel

	2017	2016
Short term benefits	108,383	93,945
End of service benefits	10,760	6,799
Board of Directors' remuneration	30,000	30,000
	<u>149,143</u>	<u>130,744</u>

7. Inventories

	2017	2016
Raw materials - spare parts	1,014,984	1,002,219
Work in progress	78,553	50,895
	<u>1,093,537</u>	<u>1,053,114</u>
Less: provision for obsolete and slow moving items	(330,533)	(330,533)
	<u>763,004</u>	<u>722,581</u>

8. Financial assets available for sale

	2017	2016
Quoted:		
Equity securities	4,988	49,233
Total	<u>4,988</u>	<u>49,233</u>
Unquoted:		
Equity securities	334,691	241,001
Investment portfolios and funds	662,421	985,087
Total	<u>997,112</u>	<u>1,226,088</u>
	<u>1,002,100</u>	<u>1,275,321</u>

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Movement during the year was as follows:

	2017	2016
Balance at the beginning of the year	1,275,321	1,400,755
Additions (Note 9)	135,930	-
Disposals	(210,458)	(60,956)
Changes in fair value	(498)	36,394
Reversal of cumulative changes in fair value due to impairment loss	-	(22,436)
Impairment loss	(198,195)	(78,436)
Balance at the end of the year	1,002,100	1,275,321

As at December 31, 2017 investment portfolios for carrying value of KD 139,880 (2016 – KD 200,000) are managed by a related party.

It was not possible to reliably measure the fair value of unquoted securities amounting to KD 334,691 (2016: KD 241,001) due to non-availability of a reliable method that could be used to determine the fair value of such financial assets. Accordingly, they were stated at their cost less impairment losses as follows:

Investments available for sale are denominated in the following currencies:

	2017	2016
Kuwaiti Dinar	361,005	290,234
Omani Riyal	501,215	785,087
Egyptian Pound	118,966	200,000
UAE Dirhams	20,914	-
	1,002,100	1,275,321

9. Investment in associates

The investment in associates consists of the following:

Name of the associates	Country of incorporation	Principal activities	Percentage of ownership		Amount	
			2017	2016	2017	2016
Oman Integral Logistics Co. - O.S.C.C.	Sultanate of Oman	Logistic services	50%	50%	3,815,271	3,727,081
Inshaa Holding Co. - K.S.C. (Holding)	State of Kuwait	Industrial activity	-	25.03%	-	3,346,083
					3,815,271	7,073,164

Movement during the year is as follows:

	2017	2016
Balance at the beginning of the year	7,073,164	6,453,830
Disposal of associate	(3,346,083)	-
Group's share of results from associates	138,432	745,088
Group's share of associates' other comprehensive income	-	45,956
Cash dividend received from associates	-	(200,224)
Foreign currency translation adjustments	(50,242)	28,514
Balance at the end of the year	3,815,271	7,073,164

The Group's share in contingent liabilities of the associates as of December 31, 2017 amounted to KD 11,573 (2016: KD 55,049).

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During the year ended December 31, 2017, as per 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 investment in Insha'a Holding Company – K.S.C. (Holding) for a total amount of KD 5,056,015, of which KD 3,267,706 cash consideration and KD 1,788,309 represents the value of certain assets excluded from the sale deal of the disposed entity, of which KD 135,930 were transferred to the Parent Company's name and have been classified as available for sale investments (Note 8), and KD 401,491 the value of certain assets of the disposed entity sold for the benefit of the Parent Company and were received in cash, and KD 1,250,888 represents the value of the remaining excluded assets, currently in the process of being transferred to the Parent Company's name and therefore have been classified within receivables at the consolidated financial statements date (note 5c). The sale deal resulted in a gain of KD 1,662,922, calculated as follows:

	KD
Cash consideration	3,267,706
Cash received from the excluded assets	401,491
Total cash received	3,669,197
Accounts receivable and other debit balances (Note 5)	1,250,888
Financial assets available for sale (Note 8)	135,930
Total selling amount	5,056,015
Less: consultancy and commission expenses	(8,170)
Less: amount transferred from consolidated statement of other comprehensive income to consolidated statement of profit or loss upon sale of investment in associate	(38,840)
Less: net book value of the investment at date of giving-up significant influence	(3,346,083)
Gain on sale	<u>1,662,922</u>

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Summarized financial information of the associates is as follows:

Summarized statement of financial position

	Oman Integral Logistics Co. - O.S.C.C		Inshaa Holding Co. - K.S.C. (Holding)		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Cash and cash equivalents	497,946	316,906	-	4,478,708	497,946	4,795,614
Term deposits	-	-	-	480,300	-	480,300
Other current assets	2,108,588	1,285,557	-	4,322,387	2,108,588	5,607,944
Total current assets	2,606,534	1,602,463	-	9,281,395	2,606,534	10,883,858
Non-current assets	8,886,616	8,731,181	-	12,282,375	8,886,616	21,013,556
Total assets	11,493,150	10,333,644	-	21,563,770	11,493,150	31,897,414
Liabilities:						
Financial liabilities	719,449	729,397	-	740,964	719,449	1,470,361
Other current liabilities	2,337,777	1,018,474	-	2,247,797	2,337,777	3,266,271
Total current liabilities	3,057,226	1,747,871	-	2,988,761	3,057,226	4,736,632
Non-current liabilities	1,021,886	1,471,107	-	1,263,396	1,021,886	2,734,505
Non-controlling interests	132,625	95,171	-	3,942,257	132,625	4,037,428
Total liabilities	4,211,737	3,314,149	-	8,194,416	4,211,737	11,508,565
Net assets	7,281,413	7,019,495	-	13,369,354	7,281,413	20,388,849
Share in associates' net assets	3,640,707	3,509,747	-	3,346,083	3,640,707	6,855,830
Intercompany eliminations	61,742	104,512	-	-	61,742	104,512
Net assets after eliminations	3,702,449	3,614,259	-	3,346,083	3,702,449	6,960,342
Goodwill related to investment in associate	112,822	112,822	-	-	112,822	112,822
Carrying value of investment in associates	3,815,271	3,727,081	-	3,346,083	3,815,271	7,073,164

Summarized Statement of profit or loss and other comprehensive income

	Oman Integral Logistics Co. - O.S.C.C		Inshaa Holding Co. - K.S.C. (Holding)		Total	
	2017	2016	2017	2016	2017	2016
Revenue	6,841,216	5,099,423	-	12,867,859	6,841,216	17,967,282
Operating expenses	(6,404,624)	(4,425,287)	-	(10,670,457)	(6,404,624)	(15,095,744)
Share of results from associates	-	-	-	599,236	-	599,236
Murabaha profits	-	-	-	24,722	-	24,722
Finance charges	(69,108)	(49,317)	-	(81,451)	(69,108)	(130,778)
Non-controlling interests	(90,620)	(54,462)	-	(902,321)	(90,620)	(958,783)
Net profit	276,864	570,357	-	1,837,578	276,864	2,407,935
Total comprehensive income	-	82,616	-	18,572	-	101,189
Share of associates' results	138,432	285,179	-	459,909	138,432	745,089
Share of associates' other comprehensive income	-	41,308	-	4,648	-	45,956
Dividends received from associates	-	-	-	200,224	-	200,224

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10. Investment properties

	Vacant land	Commercial complexes	Total
At January 1, 2015	3,050,000	7,639,150	10,689,150
Additions	-	12,920	12,920
Change in fair value	-	1,583,530	1,583,530
Foreign currency translation adjustments	-	(3,676,498)	(3,676,498)
At December 31, 2016	3,050,000	5,559,102	8,609,102
transfers	(3,050,000)	3,050,000	-
Change in fair value	-	(394,946)	(394,946)
Foreign currency translation adjustments	-	134,847	134,847
At December 31, 2017	-	8,349,003	8,349,003

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

The fair value of investment properties is based on valuations performed by accredited independent valuation experts using recognized valuation techniques and principles.

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

2017				
Class of the investment property	Valuation technique	Level 2	Level 3	Total
Commercial complexes	Market sales comparison	5,998,003	-	5,998,003
Commercial complex	Discounted cash flows	-	2,351,000	2,351,000
Total		5,998,003	2,351,000	8,349,003

2016				
Class of the investment property	Valuation technique	Level 2	Level 3	Total
Commercial complexes	Market sales comparison	5,559,102	-	5,559,102
Vacant land	Market sales comparison	3,050,000	-	3,050,000
Total		8,609,102	-	8,609,102

- As of December 31, 2017, certain investment properties of fair value KD 5,998,003 (2016: KD 6,159,102) acquired through a finance lease agreements, are registered under the name of local bank and a foreign finance institution, until the settlement of the contractual payments as disclosed in Note (12).
- Investment properties include a property for an amount of KD 2,351,000 (2016 – KD 2,450,000) managed by a related party.
- Certain investment properties are constructed on lands leased from Public Authority for Industry in the State of Kuwait for five years ending during 2019 and 2021 and are renewable for similar periods.

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11. Property, plant and equipment

	Land	Buildings	Tools	Machinery and equipment	Transportation vehicles	Furniture and decoration	Total
Cost:							
At January 1, 2016	693,000	667,948	295,848	3,174,672	23,700	29,604	4,884,572
Additions	-	-	239	10,869	-	76	11,184
Disposals	-	-	-	(700)	-	-	(700)
At December 31, 2016	693,000	667,948	295,887	3,184,841	23,700	29,680	4,895,056
Additions	-	-	1,906	999	4,450	-	7,355
Disposals	-	-	-	-	(5,000)	-	(5,000)
At December 31, 2017	693,000	667,948	297,793	3,185,840	23,150	29,680	4,897,411
Accumulated depreciation:							
At January 1, 2016	-	129,593	253,185	2,782,962	21,438	28,521	3,215,699
Charge for the year	-	33,397	3,008	21,281	1,414	615	59,715
Related to disposals	-	-	-	(698)	-	-	(698)
At December 31, 2016	-	162,990	256,193	2,803,545	22,852	29,136	3,274,716
Charge for the year	-	33,397	2,915	21,051	1,586	475	59,424
Related to disposals	-	-	-	-	(4,999)	-	(4,999)
At December 31, 2017	-	196,387	259,108	2,824,596	19,439	29,611	3,329,141
Net book value:							
At December 31, 2017	693,000	471,561	38,685	361,244	3,711	69	1,568,270
At December 31, 2016	693,000	504,958	39,694	381,296	848	544	1,620,340

Depreciation charge has been allocated as follows:

	2017	2016
Consolidated statement of profit or loss	38,373	38,434
Cost of transportation, leasing and maintenance operations	21,051	21,281
	59,424	59,715

The Group's buildings are constructed on lands leased from the state of Kuwait Government expiring on September 11, 2022.

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12. Finance lease payables

	2017	2016
Gross amount of finance lease payables	2,966,058	3,502,775
Less: unamortized future finance charges	(222,753)	(328,238)
Present value of finance lease payables	<u>2,743,305</u>	<u>3,174,537</u>
Analyzed as:		
	2017	2016
Current portion	1,830,090	1,927,778
Non-current portion	913,215	1,246,759
Total present value of financial lease payables	<u>2,743,305</u>	<u>3,174,537</u>

The Parent Company renewed a lease agreement containing a bargain purchase option with a local bank, to finance the purchase of a right of utilization of an industrial plot, located at third Shuwaikh Industrial Area, Block (D), Plot No. (165), for a single rental annual payment due on April 30, 2018 with a bargain purchase option upon the complete settlement of the contractual payments. The leased asset is registered under the name of the financing bank until the settlement of the contractual payments (Note 10).

On November 8, 2015 the Subsidiary Company Takatof Real Estate Co. E.S.C. entered into a finance lease agreement, with a foreign financial institution, to finance the purchase of a land and an administrative building constructed thereon, the land is located at New Cairo City – Block No. 211, Second Sector, Arab Republic of Egypt, for 21 quarterly lease payments, the latest is due on November 15, 2020 with a bargain purchase option after completing all contractual payments. The leased asset is registered under the name of foreign financial institution until the settlement of the contractual payments (Note 10). The finance lease agreement carries annual interest rate at 7.727% plus LIBOR rate.

13. Accounts payable and other credit balances

	2017	2016
Trade payables (a)	84,657	240,723
Staff payables	2,263	1,678
Advances from customers	220,096	16,315
Accrued expenses	189,014	171,608
Accrued staff leave	147,373	122,811
Dividends payable	134,847	519,211
Deposits for others	47,918	10,145
KFAS payable	17,413	7,476
NLST payable	48,062	29,205
Zakat payable	19,286	9,829
Board of directors' remuneration payable	30,000	30,000
Others	156,523	49,668
	<u>1,097,452</u>	<u>1,208,669</u>

(a) Trade payables are non-interest bearing and are normally settled on average period of 90 days.

14. Provision for end of service indemnity

	2017	2016
Balance at beginning of the year	318,081	298,240
Charge for the year	57,659	59,486
Paid during the year	(5,864)	(39,645)
Balance at end of the year	<u>369,876</u>	<u>318,081</u>

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15. Capital

Authorized, issued and paid up capital consists of 163,692,769 shares of 100 fils each amounting to KD 16,369,277 (2016-163,692,769 shares of 100 fils each amounting to KD 16,369,277) and all shares are in cash and in kind (Cash amounted to KD 13,096,328 and in kind amounted to KD 3,272,949).

16. Statutory reserve

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

17. Voluntary reserve

As required by the Parent Company's Articles of Association, a percentage of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. The Board of directors did not propose any percentage to be transferred to voluntary reserve. Hence, no transfer was made to the voluntary reserve.

18. General and administrative expenses

	2017	2016
Staff costs	557,187	492,496
Rent	12,270	11,570
Others	163,893	156,106
	<u>733,350</u>	<u>660,172</u>

19. Basic and diluted earnings per share attributable to Shareholders of the Parent Company

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. There are no potential dilutive ordinary shares. The information necessary to calculate the basic earnings per share based on the weighted average number of outstanding shares during the year is as follows:

	2017	2016
Profit for the year attributable to Shareholders of the Parent Company	<u>1,844,099</u>	<u>1,267,858</u>
	<u>Shares</u>	<u>Shares</u>
Number of outstanding shares	<u>163,692,769</u>	<u>163,692,769</u>
	<u>Fils</u>	<u>Fils</u>
Basic and diluted earnings per share attributable to Shareholders of the Parent Company	<u>11.27</u>	<u>7.74</u>

20. Proposed cash dividends recommendation by the Board of Directors

The Board of Directors' meeting held on March 1, 2018 recommend cash dividends of 5 fils per share, for a total distribution of KD 818,464 for the year ended December 31, 2017. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly of the Parent Company.

The Shareholders' Ordinary Annual General Assembly meeting held on April 19, 2017 approved the distribution of cash dividends of 5 fils per share, for a total distribution of KD 818,464 for the year ended December 31, 2016 (KD 818,464 for the year ended December 31, 2015).

21. Board of Directors' remuneration

The Board of Directors' meeting held on March 1, 2018 has proposed an amount of KD 30,000 as remuneration to board members for the year ended December 31, 2017. This remuneration is subject to the approval of Parent Company shareholders' Ordinary General Assembly upon its session.

The Board of Directors' remuneration for the comparative year amounted to KD 30,000 was approved by Shareholders' ordinary general assembly held on April 19, 2017.

22. Legal cases

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

23. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, investment deposits, accounts receivable, due from related party, financial assets available for sale, finance lease payables, payables and due to related party and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk:

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

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

	2017		
	Increase (Decrease) in interest rate	Deposits balances on December 31,	Effect on consolidated statement of profit or loss
Investment deposits	± 0.5%	4,000,000	20,000
	2016		
	Increase (Decrease) in interest rate	Deposits balances on December 31,	Effect on consolidated statement of profit or loss
Investment deposits	± 0.5%	1,650,000	8,250

Credit risk:

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

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, short-term deposits, investment deposits receivables and due from related party.

foreign currencies and Kuwaiti Dinar.

	2017		
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss	Effect on consolidated other comprehensive income
Egyptian Pound	± 5.00%	±734	±104,849
Omani Riyal	± 5.00%	-	±32,532
US Dollar	± 5.00%	±1,025	-
Arab Emirates Dirham	± 5.00%	-	±1,760
Total		±1,759	±139,141

	2016		
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss	Effect on consolidated other comprehensive income
Egyptian Pound	± 5.00%	±1,169	±89,479
Omani Riyal	± 5.00%	-	±41,419
US Dollar	± 5.00%	±865	-
Arab Emirates Dirham	± 5.00%	-	-
Total		±2,034	±130,898

Liquidity risk:

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

Maturity table of financial liabilities

	2017		
	3-12 months	1 – 5 years	Total
Finance lease payables	1,830,090	913,215	2,743,305
Accounts payable and other credit balances	1,097,452	-	1,097,452
Due to a related party	700	-	700
Total	2,928,242	913,215	3,841,457

	2016		
	3-12 months	1 – 5 years	Total
Finance lease payables	1,927,778	1,246,759	3,174,537
Accounts payable and other credit balances	1,208,669	-	1,208,669
Due to related party	700	-	700
Total	3,137,147	1,246,759	4,383,906

Equity price risk:

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

24. Fair value measurement

The Group measures financial assets available for sale and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of items recorded at fair value by level of the fair value hierarchy:

	2017		
	Level 1	Level 2	Total
Financial assets available for sale	4,988	662,421	667,409
	2016		
	Level 1	Level 2	Total
Financial assets available for sale	49,233	985,087	1,034,320

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

During the year, there were no transfers between Levels of fair value hierarchy.

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

The fair value details of investment properties are disclosed in note (10).

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25. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital. In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

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

26. Segment information

The Group activities are represented in transportation and leasing activity, investment activity and auto body industry activity.

For management purposes, the group has the following strategic divisions as reportable operating segments, which are summarized as follows:

Transportation, leasing and maintenance segment: represents goods transport, leasing and charter means of transportation and maintenance of others' vehicles.

Auto body industry segment: represents vehicles' body manufacturing, importing, marketing and exporting.

Investment segment: represents investments available for sale and investment properties.

A. Segment analysis by activities

There are transactions between activities. These segments represent the basis by which the Group presents its main operations, as follows:

2017				
	Transportation, leasing and maintenance segment	Vehicles body manufacturing segment	Investment segment	Total
Total revenues	935,844	1,429,620	3,137,466	5,502,930
Total costs	(726,082)	(1,288,007)	(1,639,315)	(3,653,404)
Profit for the year	209,762	141,613	1,498,151	1,849,526

	Transportation, leasing and maintenance segment	Vehicles body manufacturing segment	Investment segment	Eliminations	Total
Segment assets	3,151,400	2,513,237	26,020,617	(7,747,265)	23,937,989
Segment liabilities	(238,236)	(690,965)	(5,197,938)	1,915,806	(4,211,333)

2016				
	Transportation, leasing and maintenance segment	Vehicles body manufacturing segment	Investment segment	Total
Total revenues	945,636	1,092,753	3,303,891	5,342,280
Total costs	(608,580)	(1,003,120)	(2,456,512)	(4,068,212)
Profit for the year	337,056	89,633	847,379	1,274,068

	Transportation, leasing and maintenance segment	Vehicles body manufacturing segment	Investment segment	Eliminations	Total
Segment assets	2,852,721	2,217,403	25,260,132	(6,996,385)	23,333,871
Segment liabilities	(210,476)	(486,744)	(5,915,622)	1,910,855	(4,701,987)

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B. Geographical segments

The group has allocated its assets among the following reportable geographic segments:

2017					
	State of Kuwait and GCC countries	Africa	Total Segments	Adjusting and Elimination Operations	Total
Total revenues	5,764,313	462,329	6,226,642	(723,712)	5,502,930
Segment assets	28,318,184	3,367,070	31,685,254	(7,747,265)	23,937,989
2016					
	State of Kuwait and GCC countries	Africa	Total Segments	Adjusting and Elimination Operations	Total
Total revenues	4,167,108	1,914,452	6,081,560	(739,280)	5,342,280
Segment assets	27,160,986	3,169,270	30,330,256	(6,996,385)	23,333,871