MUBARRAD HOLDING COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH
INDEPENDENT AUDITOR'S REPORT

MUBARRAD HOLDING COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
STATE OF KUWAIT

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mubarrad Holding Company - K.S.C.P. and its Subsidiaries
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. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018 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, 2018, 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 year. 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.

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 properties is highly dependent on estimates. We therefore identified the valuation of investment properties as a key audit matter. The Group policy is that properties valuation are performed by licensed appraisers at least once a year. These valuations are 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 11 to the consolidated financial statements.

Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2018 Annual Report after the date of our auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

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

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

Our 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, 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

State of Kuwait
February 10, 2019

MUBARRAD HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

ASSETS	Notes	2018	2017
Current assets:			
Cash and cash equivalents	3	**3,743,823**	2,140,122
Investment deposits		**-**	4,000,000
Accounts receivable and other debit balances	4	**1,107,904**	2,209,214
Due from a related party	5	**10,214**	-
Inventories	6	**580,839**	763,004
Total current assets		**5,442,780**	9,112,340
Non-current assets:			
Financial assets available for sale	7	**-**	1,002,100
Financial assets at fair value through profit or loss	8	**901,910**	-
Investment in associate	10	**3,866,830**	3,815,271
Investment properties	11	**13,217,854**	8,349,003
Property, plant and equipment	12	**1,518,134**	1,568,270
Goodwill		**91,005**	91,005
Total non-current assets		**19,595,733**	14,825,649
Total assets		**25,038,513**	23,937,989
LIABILITIES AND EQUITY			
Current liabilities:			
Finance lease payables	13	**2,502,692**	1,830,090
Accounts payable and other credit balances	14	**1,429,163**	1,097,452
Due to a related party	5	**655**	700
Total current liabilities		**3,932,510**	2,928,242
Non-current liabilities			
Finance lease payables	13	**499,844**	913,215
Provision for end of service indemnity	15	**429,689**	369,876
Total non-current liabilities		**929,533**	1,283,091
Total liabilities		**4,862,043**	4,211,333
Equity:			
Share capital	16	**16,369,277**	16,369,277
Statutory reserve	17	**955,086**	777,717
Treasury shares	19	**(476,135)**	-
Treasury shares reserve		**84,388**	84,388
Cumulative changes in fair value		**-**	15,072
Other components of equity		**(3,594)**	1,588
Effect of changes in other comprehensive income of associate		**117,874**	117,874
Foreign currencies translation reserve		**(1,768,988)**	(1,785,944)
Retained earnings		**4,841,265**	4,089,333
Equity attributable to Shareholders of the Parent Company		**20,119,173**	19,669,305
Non-controlling interests		**57,297**	57,351
Total equity		**20,176,470**	19,726,656
Total liabilities and equity		**25,038,513**	23,937,989

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

Abdullah Mohammed Al-Shatti
Chairman

MUBARRAD HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

	Notes	2018	2017
Sales		1,108,564	1,421,071
Cost of sales		(870,929)	(1,064,502)
Gross profit		237,635	356,569
Revenues from transportation, leasing and maintenance operations		731,002	904,915
Cost of transportation, leasing and maintenance operations		(527,148)	(560,155)
Gross profit		203,854	344,760
Rental revenues		1,340,838	1,171,833
Rental costs		(250,736)	(224,241)
Gross profit		1,090,102	947,592
Total gross profit		1,531,591	1,648,921
General and administrative expenses	20	(688,300)	(733,350)
Depreciation	12	(36,270)	(38,373)
Net provision for doubtful debts	4	(9,442)	(5,018)
Net provision for slow moving inventories	6	(1,018)	-
Profit from operations		796,561	872,180
Net investment income	21	148,420	58,455
Impairment loss on financial assets available for sale		-	(198,195)
Share of results from associate	10	32,633	138,432
Gain on sale of investment in associate		-	1,662,922
Change in fair value of investment properties	11	682,000	(394,946)
Return on deposits		73,241	84,544
Finance charges		(214,836)	(216,227)
Foreign exchange gain		(3,344)	14,568
Other income	22	300,455	21,550
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		1,815,130	1,958,737
Contribution to KFAS	2(s)	(13,303)	(14,920)
Contribution to NLST	2(t)	(46,099)	(48,062)
Contribution to Zakat	2(u)	(15,917)	(16,229)
Board of Directors' remuneration	5	(30,000)	(30,000)
Profit for the year		1,709,811	1,849,526
Attributable to			
Shareholders of the Parent Company		1,668,373	1,844,099
Non-controlling interests		41,438	5,427
		1,709,811	1,849,526
		Fils	Fils
Basic and diluted earnings per share attributable to Shareholders of the Parent Company	23	10.30	11.27

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

	2018	2017
Profit for the year	1,709,811	1,849,526
Other comprehensive income:		
Items that may be reclassified subsequently to consolidated statement of profit or loss		
Related to financial assets available for sale:		
Change in fair value of financial assets available for sale	-	(498)
Transferred to consolidated statement of profit or loss upon sale of investment in an associate	-	38,840
Exchange differences on translating foreign operations	16,956	25,368
Other comprehensive income for the year	16,956	63,710
Total comprehensive income for the year	1,726,767	1,913,236
Attributable to:		
Shareholders of the Parent Company	1,685,329	1,907,818
Non-controlling interests	41,438	5,418
	1,726,767	1,913,236

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

MUBARRAD HOLDING CO. K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company											
	Share Capital	Statutory reserve	Treasury shares	Treasury shares reserve	Cumulative changes in fair value	Other components of equity	Effects of changes in other comprehensive income of associate	Foreign currencies translation reserve	Retained earnings	Sub-total	Non – controlling interests	Total equity
Balance at December 31, 2017	16,369,277	777,717	-	84,388	15,072	1,588	117,874	(1,785,944)	4,089,333	19,669,305	57,351	19,726,656
Impact of adoption of IFRS 9 at January 1, 2018 (Note 2)	-	-	-	-	(15,072)	(5,182)	-	-	79,392	59,138	(61)	59,077
Balance as at January 1, 2018 (Restated)	16,369,277	777,717	-	84,388	-	(3,594)	117,874	(1,785,944)	4,168,725	19,728,443	57,290	19,785,733
Profit for the year	-	-	-	-	-	-	-	-	1,668,373	1,668,373	41,438	1,709,811
Total other comprehensive income for the year	-	-	-	-	-	-	-	16,956	-	16,956	-	16,956
Total comprehensive income for the year	-	-	-	-	-	-	-	16,956	1,668,373	1,685,329	41,438	1,726,767
Purchase of treasury shares	-	-	(476,135)	-	-	-	-	-	-	(476,135)	-	(476,135)
Cash dividends 5% (Note 24)	-	-	-	-	-	-	-	-	(818,464)	(818,464)	-	(818,464)
Cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(41,431)	(41,431)
Transferred to statutory reserve	-	177,369	-	-	-	-	-	-	(177,369)	-	-	-
Balance at December 31, 2018	**16,369,277**	**955,086**	**(476,135)**	**84,388**	**-**	**(3,594)**	**117,874**	**(1,768,988)**	**4,841,265**	**20,119,173**	**57,297**	**20,176,470**
Balance at January 1, 2017	16,369,277	582,386	-	84,388	15,561	1,588	57,062	(1,811,312)	3,281,001	18,579,951	51,933	18,631,884
Profit for the year	-	-	-	-	-	-	-	-	1,844,099	1,844,099	5,427	1,849,526
Total other comprehensive income (loss) for the year	-	-	-	-	(489)	-	60,812	25,368	(21,972)	63,719	(9)	63,710
Total comprehensive income (loss) for the year	-	-	-	-	(489)	-	60,812	25,368	1,822,127	1,907,818	5,418	1,913,236
Cash dividends 5% (Note 24)	-	-	-	-	-	-	-	-	(818,464)	(818,464)	-	(818,464)
Transferred to statutory reserve	-	195,331	-	-	-	-	-	-	(195,331)	-	-	-
Balance at December 31, 2017	16,369,277	777,717	-	84,388	15,072	1,588	117,874	(1,785,944)	4,089,333	19,669,305	57,351	19,726,656

The accompanying notes (1) to (30) form an integral part of the consolidated financial statements.

MUBARRAD HOLDING CO. K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

	Notes	2018	2017
Cash flows from operating activities:			
Profit for the year from before contributions to KFAS, NLST, Zakat and Board of Directors' remuneration		**1,815,130**	1,958,737
Adjustments for:			
Depreciation	12	**53,526**	59,424
Net provision for doubtful debts	4	**9,442**	5,018
Net provision for slow moving inventories	6	**1,018**	-
Net investment income	21	**(148,420)**	(58,455)
Impairment loss on financial assets available for sale		**-**	198,195
Share of results from associate	10	**(32,633)**	(138,432)
Gain on sale of investment in associate		**-**	(1,662,922)
Change in fair value of investment properties	11	**(682,000)**	394,946
Return on deposits		**(73,241)**	(84,544)
Finance charges		**214,836**	216,227
Other provisions		**-**	84,546
Provision for end of service indemnity	15	**71,542**	57,659
Gain on disposal of property, plant and equipment		**-**	(3,149)
		1,229,200	1,027,250
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**763,857**	(88,164)
Net movement in related parties		**(11,617)**	9,737
Inventories		**181,147**	(40,423)
Accounts payable and other credit balances		**(503,557)**	152,734
Cash flows generated from operations		**1,659,030**	1,061,134
Payment for end of service indemnity	15	**(11,729)**	(5,864)
Payment of KFAS		**(17,413)**	(7,476)
Payment of NLST		**(48,062)**	(29,205)
Payment of Zakat		**(18,818)**	(6,663)
Payment of Board for Directors' remuneration		**(30,000)**	(30,000)
Net cash flows generated from operating activities		**1,533,008**	981,926
Cash flows from investing activities:			
Net decrease (increase) in investment deposits		**4,000,000**	(2,350,000)
Proceeds from sale of investment in an associate		**-**	3,669,197
Proceeds from sale of financial assets at fair value through profit or loss		**122,220**	-
Proceeds from sale of financial assets available for sale		**-**	242,801
Paid for additions of property, plant and equipment	12	**(3,390)**	(7,355)
Paid for additions of investment properties	11	**(2,300,000)**	-
Proceeds from sale of property, plant and equipment		**-**	3,150
Net paid for acquisition of a subsidiary	9	**(958,497)**	-
Dividend income received		**49,876**	18,181
Interest income received		**59,390**	64,565
Net cash flows generated from investing activities		**969,599**	1,640,539
Cash flows from financing activities:			
Net movement in finance lease installments		**255,794**	(426,422)
Purchase of treasury shares	19	**(476,135)**	-
Dividends paid		**(468,669)**	(1,202,828)
Finance charges paid		**(211,399)**	(221,037)
Net cash flows used in financing activities		**(900,409)**	(1,850,287)
Foreign currencies translation adjustments		**1,503**	(62,142)
Net increase in cash and cash equivalents		**1,603,701**	710,036
Cash and cash equivalents at beginning of the year		**2,140,122**	1,430,086
Cash and cash equivalents at end of the year	3	**3,743,823**	2,140,122

The accompanying notes (1) to (30) 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", 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 Sharia, 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 February 10, 2019. 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 at fair value through profit or loss and Investment properties that are stated at their fair values.

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, 2018:

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. Kindly refer to Note 2 for the effect of applying IFRS 9.

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. The adoption of this standard did not result in any change in the accounting policies of the Group and did not have any significant effect on the Group's consolidated financial statements. Kindly refer to Note (2 – o) for the effect of applying IFRS 15.

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 organization, 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 recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

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.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRIC 22 and amendments to IAS 28 and IAS 40 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 16 - Leases
This standard will be effective for annual periods beginning on or after January 1, 2019 and will be replacing IAS 17 "Leases". The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. 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.

Amendments to IFRS 9: Prepayment features with negative compensation
Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28: Investments in Associates and Joint Ventures. The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

Annual Improvements 2015 – 2017 Cycle (issued in December 2017)

IFRS 3 – Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IFRS 11 – Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IAS 23 – Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

The amendments to the standards mentioned above are not expected to have material impact on the consolidated financial statements.

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 (%) 2018	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%
Inshaa' National Real Estate - Sole proprietorship	State of Kuwait	Real estate	**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 FVPL, finance lease payables and payables.

- **Financial assets:**

Accounting policy effective January 1, 2018
The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

I. **Classification of financial assets**
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Initial recognition
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 FVTPL.

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

Measurement categories of financial assets
The IAS 39 measurement categories of financial assets (fair value through statement of profit or loss (FVTPL), available for sale (AFS), held-to-maturity, loans and receivables) have been replaced by:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to consolidated statement of profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to consolidated statement of profit or loss on derecognition
- Financial assets at FVTPL

Debt instruments at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Cash and cash equivalents, term deposits, trade receivables, due from related parties and other assets are classified as debt instruments at amortized cost.

- 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.

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

- 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.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity. The Group classifies investments in unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

Financial assets at FVTPL
The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

II. Impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- 'Stage 3' (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

III. **Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for the year ended December 31, 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the year ended December 31, 2017.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain equity instruments not held for trading as at FVOCI.

The impact of this change in accounting policy as at January 1, 2018 is as follows:

	Retained earnings	Other components of equity	Cumulative changes in fair value	Non controlling interest
Closing balance under IAS 39 (December 31, 2017)	4,089,333	1,588	15,072	57,351
Impact on reclassification and re-measurements:				
Equity instruments from available for sale to equity instruments at FVTPL	79,392	-	(15,072)	-
Impact on recognition of expected credit losses:				
Expected credit losses under IFRS 9 for financial assets at amortized cost	-	(5,182)	-	(61)
Opening balance under IFRS 9 on date of initial application of January 1, 2018 (Restated)	**4,168,725**	**(3,594)**	**-**	**57,290**

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at January 1, 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash on hand and at banks	Loans and receivables	Amortized Cost	2,140,122	**2,140,122**
Investment deposits	Loans and receivables	Amortized Cost	4,000,000	**4,000,000**
Accounts receivable and other debit balances	Loans and receivables	Amortized Cost	2,209,214	**2,203,972**
Equity Instruments – AFS	Financial assets available for sale	Financial assets at FVTPL	1,002,100	**1,066,421**
Total financial assets			9,351,436	**9,410,515**
Financial liabilities				
Finance lease payables	Amortized Cost	Amortized Cost	2,743,305	**2,743,305**
Accounts payable and other credit balances	Amortized Cost	Amortized Cost	1,097,452	**1,097,452**
Due to a related party	Amortized Cost	Amortized Cost	700	**700**
Total financial liabilities			3,841,457	**3,841,457**

Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018:

	IAS 39 carrying amount as at December 31, 2017	**Reclassifications**	**Re-measurement**	**IFRS 9 carrying amount as at January 1, 2018**
Accounts receivable and other debit balances				
Opening balance	**2,209,214**	**-**	**-**	**2,209,214**
Impairment allowance	**-**	**-**	**(5,243)**	**(5,243)**
Closing balance	**2,209,214**	**-**	**(5,243)**	**2,203,971**
Financial assets available for sale				
Opening balance	**1,002,100**	**-**	**-**	**1,002,100**
To financial assets at FVTPL	**-**	**(1,002,100)**	**-**	**(1,002,100)**
Closing balance	**1,002,100**	**(1,002,100)**	**-**	**-**
Financial assets at FVTPL				
Opening balance	**-**	**-**	**-**	**-**
From financial assets available-for-sale	**-**	**1,002,100**	**64,321**	**1,066,421**
Closing balance	**-**	**1,002,100**	**64,321**	**1,066,421**

Accounting policies applied until December 31, 2017

The Group has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification:

Until December 31, 2017, the Group classified its financial assets in the following categories:

a) Financial assets at fair value through profit or loss – The policy is same as explained above.
b) Loans and receivables – The policy is same as explained above for debt instruments at amortized cost.
c) Investments held-to-maturity - Investment held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.
d) Financial assets available for sale – These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

The classification depended on the purpose for which the investments were acquired and management determined the classification of its investments at initial recognition.

Subsequent measurement:

The measurement at initial recognition did not change on adoption of IFRS 9. Subsequent to the initial recognition, loans and receivables were carried at amortized cost using the effective interest method. Financial assets available for sale were subsequently carried at fair value.

Gains or losses arising from changes in the fair value were recognized as follows:

a) for financial assets at FVTPL – in consolidated statement of profit or loss.
b) for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security were recognized in consolidated statement of profit or loss and other changes in the carrying amount were recognized in other comprehensive income.
c) for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When available-for-sale financial assets were sold, the cumulative changes in fair value recognized in other comprehensive income were reclassified to consolidated statement of profit or loss.

Details on fair value measurement of financial assets is disclosed in Note 28.

Impairment:

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets 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 consolidated statement of profit or loss – is removed from other comprehensive income and recognized in 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.

- **Financial liabilities:**
  The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to consolidated statement of profit or loss.

  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 associate

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 in incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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) <u>End of service indemnity</u>
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) <u>Dividend distribution to shareholders</u>
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) <u>Share capital</u>
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) <u>Treasury shares</u>
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 components of equity

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

o) Revenue recognition

IFRS 15 defines revenue as "income arising in the course of an entity's ordinary activities" and establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five steps in the model are as follows:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Before adopting IFRS 15, the Group recognized revenue at 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 net of discount, returns and volume rebates. The Group recognized 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. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Under IFRS 15, revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.

Revenue for the Group arises from the following activities:

Sale of goods
Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when or as the Group transfers control of the goods to the customer. For standalone sales, that are neither customized by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Transportation contracts
Revenue from transportation contract is recognized over time by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract.

Interest income and expense
Interest income and expense are recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

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
Other income are recognized on an accrual basis.

Transition
On applying the requirements of IFRS 15, the Group has determined that no significant impact arises on its consolidated financial statements.

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 charges
Finance charges 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.

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 1FRS 15 and revenue accounting policy explained in Note 2 - o 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", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 – c).

(v) 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.

(vi) 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.

(vii) 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.

(viii) Significant influence assessment

When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's board of directors, participation in policy making decisions and material transactions between the investor and investee.

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) Useful lives of depreciable assets

The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

(iii) 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.

(iv) Provision for doubtful debts and inventories

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is based on a forward looking ECL approach as explained in Note 27. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(v) 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.

(vi) 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

	2018	2017
Cash on hand and at banks	1,243,823	1,265,122
Short-term bank deposits	2,500,000	875,000
	3,743,823	2,140,122

The effective rate of return on short-term bank deposits is 2.81% (2017: 1.75%) per annum; these deposits have an average contractual maturity of 92 days.

4. Accounts receivable and other debit balances

	2018	2017
Trade receivables (a)	2,285,625	2,237,516
Less: provision for doubtful debts (b)	(1,580,772)	(1,569,149)
	704,853	668,367
Staff receivables	49,736	59,287
Less: provision for doubtful debts	(9,680)	(6,618)
	40,056	52,669
Other receivables (c)	207,758	1,262,466
Advance payments to suppliers	10,973	68,744
Prepaid expenses	40,985	45,468
Accrued income	17,005	21,045
Refundable deposits	67,866	51,950
Cheques under collection	18,408	38,505
	1,107,904	2,209,214

(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 imparied	Past due but not impaired				
	Less than 90 days	91 – 180 days	Over 181 days	More than one year	Impaired	Total
2018	244,515	194,444	201,452	64,443	1,580,771	2,285,625
2017	478,583	100,360	89,424	-	1,569,149	2,237,516

As of December 31, 2018, trade receivables amounting to KD 460,339 (2017 - KD 189,784) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

On October 14, 2018, the General Court ruled a final verdict in the case no. 2079/2016 commercial/25 in favor of the Group against one of the debtors and obligated him to pay the sum of KD 512,832 for which the Group had provided for in full, the provision amount will be reversed upon the execution of the verdict and collection of the amount.

(b) Provision for doubtful debts:

Disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses are set forth in Note 27. The comparative for impairment provisions refers to the IAS 39 measurement basis which applied the incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

The movement in allowance for credit losses is as follows:

	2018	2017
Balance at the beginning of the year under IAS 39	**1,569,149**	1,736,320
Effect of applying IFRS 9 – Expected credit losses on the opening retained earnings (Note 2 - c)	**5,243**	-
Restated balance as at January 1, 2018	**1,574,392**	1,736,320
Charge for the year	**13,082**	21,978
Utilized during the year	-	(172,189)
Provision no longer required	**(6,702)**	(16,960)
Balance at the end of the year	**1,580,772**	1,569,149

Provision for doubtful debts reported in the consolidated statement of profit or loss for the current year includes KD 3,062 related to impaired staff receivables.

(c) Other receivables include an amount of KD 204,976 represents the Parent Company's share in the excluded assets of the disposed associate, which were waived to the benefit of the Parent Company at the disposal date of the associate and currently in the process of being transferred in its name, pursuant to the sale agreement.

5. 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:

Balances included in the consolidated statement of financial position

	Major Shareholders	Other related parties	Total	
			2018	2017
Due from a related party	-	10,214	**10,214**	-
Investment property (real estate portfolio managed by a related party – Note 11)	2,431,000	-	**2,431,000**	2,351,000
Financial assets FVPL	12,267	283,755	**296,022**	-
Financial assets available for sale	-	-	-	289,880
Due to a related party	655	-	**655**	700

Transactions included in the consolidated statement of profit or loss

	Major Shareholders	Other related parties	Total	
			2018	2017
Rental revenues	-	36,000	**36,000**	58,000
Rental costs	4,084	-	**4,084**	4,886
Net investment income	-	45,000	**45,000**	-

Compensation to key management personnel	2018	2017
Short term benefits	**120,658**	108,383
End of service benefits	**12,898**	10,760
Board of Directors' remuneration	**30,000**	30,000
	163,556	149,143

6. Inventories

	2018	2017
Raw materials - spare parts	852,205	1,014,984
Work in progress	60,185	78,553
	912,390	1,093,537
Less: provision for obsolete and slow moving items (a)	(331,551)	(330,533)
	580,839	763,004

(a) The movement in the provision for slow-moving items was as follows:

	2018	2017
Balance at the beginning of the year	330,533	330,533
Charged for the year	3,589	-
Provision for slow moving inventories no longer required	(2,571)	-
Balance at the end of the year	331,551	330,533

7. Financial assets available for sale

	2018	2017
Quoted:		
Equity securities	-	4,988
Total	-	4,988
Unquoted:		
Equity securities	-	334,691
Investment portfolios and funds	-	662,421
Total	-	997,112
	-	1,002,100

On January 1, 2018, as a result of adoption of IFRS 9, the Group elected to reclassify investments amounting to KD 1,002,100 from financial assets available for sale to financial assets at fair value through profit or loss (Note 8).

8. Financial assets at fair value through profit or loss

	2018	2017
Quoted:		
Equity securities	3,741	-
Total	3,741	-
Unquoted:		
Equity securities	469,185	-
Investment portfolios and funds	428,984	-
Total	898,169	-
	901,910	-

At January 1, 2018, as a result of adoption of IFRS 9 the Group elected to reclassify investments amounting to KD 1,002,100 from financial assets available for sale to financial assets at fair value through profit or loss (Note 7).

Financial assets at fair value through profit or loss comprises equity securities, investment portfolios and funds, for which the Group has classified based on its most relevant business model.

Movement during the year was as follows:

	2018	2017
Impact of adoption IFRS 9 (Note 7)	1,002,100	-
Disposals	(44,298)	-
Transfer to investment properties (Note 11) *	(118,966)	
Changes in fair value (Note 21)	(1,247)	-
Changes in fair value due to the effect of applying IFRS 9 on the opening retained earnings	64,321	-
Balance at the end of the year	901,910	-

* During the year ended December 31, 2018 a real estate portfolio managed by a related party was liquidated, as a result the Parent Company acquired a residential complex located in Egypt. Hence, it has been classified to investment properties.

9. Acquisition of a subsidiary

On March 2017, the Parent Company acquired 25% equity interest in Insha'a National Real Estate - Sole Proprietorship as a partial return for its equity interest of 50% in Insha'a Holding Company – K.S.C. (Holding)

The equity interest in Insha'a National Real Estate – Sole Proprietorship was valued at KD 358,631 based on the valuation performed by independent valuers on the date of disposal of the associate-Insha'a Holding Company – K.S.C (Holding).

On April 12, 2018, the Group acquired the remaining 75% ownership interests in the subsidiary, by entering into an agreement with the Ultimate Parent Company - A'ayan Leasing and Investment Group K.S.C. (Public).

During the year ended December 31, 2018, the ownership interests in the subsidiary was accounted by the acquisition method of accounting as follows:

Name of subsidiary	Country of incorporation	Principal activities	Date of acquisition	Ownership interest acquired	Consideration transferred (KD)
Inshaa' National Real Estate -Sole proprietorship	State of Kuwait	Real estate	March 31, 2018	100%	1,140,745
					1,140,745

(a) Net identifiable assets of an acquired subsidiary on acquisition date:

	March 31, 2018
Assets	
Cash at banks	182,248
Accounts receivable and other debit balances	22,012
Investment property (Note 11)	1,320,000
Total assets	1,524,260
Liabilities	
Accounts payable and other credit balances	3,016
Net identifiable assets as on the date of acquisition	1,521,244

(b) Gain on bargain purchase arising on acquisition:

	Total
Total consideration transferred	1,140,745
Add: Fair value of previously held equity interest in acquiree on acquisition date	358,631
Less: Total fair value of net identifiable assets acquired	(1,521,244)
Gain from bargain purchase (Note 21)	**(21,868)**

(c) Net cash outflow on acquisition of the subsidiary:

	Total
Consideration paid	1,140,745
Less: cash and cash equivalent acquired on acquisition	(182,248)
Net cash outflow on acquisition	**958,497**

10. Investment in associate

Investment in associate consists of the following:

			Percentage of ownership		Amount	
Name of the associate	Country of incorporation	Principal activities	**2018**	2017	**2018**	2017
Oman Integral Logistics Co. - O.S.C.C.	Sultanate of Oman	Logistic services	**50%**	50%	**3,866,830**	3,815,271

Movement during the year is as follows:

	2018	2017
Balance at the beginning of the year	**3,815,271**	7,073,164
Disposal	**-**	(3,346,083)
Share of results from associate	**32,633**	138,432
Foreign currency translation reserve	**18,926**	(50,242)
Balance at the end of the year	**3,866,830**	3,815,271

The Group's share in contingent liabilities of the associate as of December 31, 2018 amounted to KD 12,422 (2017: KD 11,573).

The Group's share from results of associate is based on reviewed financial information for the nine months period ended September 30, 2018.

Summarized financial information of the associate is as follows:

Summarized statement of financial position

	Oman Integral Logistics Co. – O.S.C.C.	
	2018	2017
Assets:		
Cash and cash equivalents	**189,809**	497,946
Other current assets	**1,721,344**	2,108,588
Total current assets	**1,911,153**	2,606,534
Non-current assets	**8,765,137**	8,886,616
Total assets	**10,676,290**	11,493,150
Liabilities:		
Financial liabilities	**627,178**	719,449
Other current liabilities	**1,518,942**	2,337,777
Total current liabilities	**2,146,120**	3,057,226
Non-current liabilities	**785,309**	1,021,886
Non-controlling interests	**153,736**	132,625
Total liabilities	**3,085,165**	4,211,737
Net assets	**7,591,125**	7,281,413
Share in associates' net assets	**3,795,563**	3,640,707
Intercompany eliminations	**(41,555)**	61,742
Net assets after eliminations	**3,754,008**	3,702,449
Goodwill related to the investment in associate	**112,822**	112,822
Carrying value of investment in associate	3,866,830	3,815,271

Summarized Statement of profit or loss and other comprehensive income

	Oman Integral Logistics Co. – O.S.C.C	
	2018	2017
Revenues	**4,261,038**	6,841,216
Operating expenses	**(4,042,009)**	(6,404,624)
Finance charges	**(63,788)**	(69,108)
Non-controlling interests	**(89,975)**	(90,620)
Net profit	**65,266**	276,864
Share of results from associate	**32,633**	138,432

11. Investment properties

	Vacant land	Commercial complexes	Residential complex	Total
At January 1, 2017	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
Additions	-	2,750,000	-	2,750,000
Transfers from financial assets at FVTPL (Note 8)	-	-	118,966	118,966
Change in fair value	-	682,000	-	682,000
Effect of consolidation of a subsidiary (Note 9)	-	1,320,000	-	1,320,000
Foreign currency translation adjustments	-	(2,115)	-	(2,115)
At December 31, 2018	**-**	**13,098,888**	**118,966**	**13,217,854**

During the year ended December 31, 2018, the Parent Company purchased a commercial complex, for a cash consideration of KD 2,750,000, of which KD 2,300,000 was paid during the year.

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 appraisers used valuation techniques listed in the following schedule, considering the nature and usage of the investment properties:

	2018			
Class of the investment property	Valuation technique	Level 2	Level 3	Total
Commercial complexes	Market sales comparison	**3,247,039**	**-**	**3,247,039**
Commercial complexes	Discounted cash flows	**-**	**9,853,000**	**9,853,000**
Residential complex	Discounted cash flows	**-**	**117,815**	**117,815**
Total		**3,247,039**	**9,970,815**	**13,217,854**

	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 complexes	Discounted cash flows	-	2,351,000	2,351,000
Total		5,998,003	2,351,000	8,349,003

- As of December 31, 2018, certain investment properties for a fair value of KD 6,847,039 (2017: KD 5,998,003) have been acquired through finance lease agreements, are registered under the name of local bank and a foreign financial institution, until the settlement of the contractual payments as disclosed in Note (13).

- Investment properties include a property with a fair value of KD 2,431,000 as at December 31, 2108 (2017 – KD 2,351,000) 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.

12. Property, plant and equipment

	Land	Buildings	Tools	Machinery and equipment	Transportation vehicles	Furniture and decoration	Total
Cost:							
At January 1, 2017	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
Additions	-	-	1,392	1,572	330	96	3,390
At December 31, 2018	**693,000**	**667,948**	**299,185**	**3,187,412**	**23,480**	**29,776**	**4,900,801**
Accumulated depreciation:							
At January 1, 2017	-	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
Charge for the year	-	33,397	1,892	17,256	945	36	53,526
At December 31, 2018	**-**	**229,784**	**261,000**	**2,841,852**	**20,384**	**29,647**	**3,382,667**
Net book value:							
At December 31, 2018	**693,000**	**438,164**	**38,185**	**345,560**	**3,096**	**129**	**1,518,134**
At December 31, 2017	693,000	471,561	38,685	361,244	3,711	69	1,568,270

Depreciation charge has been allocated as follows:

	2018	2017
Consolidated statement of profit or loss	**36,270**	38,373
Cost of transportation, leasing and maintenance operations	**17,256**	21,051
	53,526	59,424

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

13. Finance lease payables

	2018	2017
Gross amount of finance lease payables	3,161,559	2,966,058
Less: unamortized future finance charges	(159,023)	(222,753)
Present value of finance lease payables	3,002,536	2,743,305

Analyzed as:

	2018	2017
Current portion	2,502,692	1,830,090
Non-current portion	499,844	913,215
Total present value of financial lease payables	3,002,536	2,743,305

On June 30, 2018 the Parent Company renewed a finance lease agreement 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 annual rental payments, the first is due on June 30, 2019. The finance lease agreement is renewed annually until the full settlement of the finance lease liability, with a bargain purchase option upon the settlement of all contractual payments.

The leased asset is registered under the name of the creditor bank until the settlement of all contractual payments.

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. The finance lease agreement carries annual interest rate at 7.727% plus LIBOR rate.

14. Accounts payable and other credit balances

	2018	2017
Trade payables (a)	46,138	84,657
Staff payables	-	2,263
Advances from customers	47,397	220,096
Accrued expenses	156,392	189,014
Accrued staff leave	146,192	147,373
Dividends payable	526,073	134,847
Deposits for others	47,904	47,918
KFAS payable	15,509	17,413
NLST payable	46,099	48,062
Zakat payable	18,959	19,286
Board of Directors' remuneration payable	30,000	30,000
Others	348,500	156,523
	1,429,163	1,097,452

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

15. Provision for end of service indemnity

	2018	2017
Balance at beginning of the year	**369,876**	318,081
Charge for the year	**71,542**	57,659
Paid during the year	**(11,729)**	(5,864)
Balance at end of the year	**429,689**	369,876

16. Capital

Authorized, issued and paid up capital consists of 163,692,769 shares of 100 fils each amounting to KD 16,369,277 (2017-163,692,769 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).

17. 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 contributions to, Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), 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.

18. 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.

19. Treasury shares

	2018	2017
Number of treasury shares	**7,804,455**	-
Percentage of ownership	**4.77%**	-
Market value (KD)	**569,725**	-
Cost (KD)	**476,135**	-

The Parent Company has allotted an amount equal to treasury shares balance from the available retained earnings as at as at December 31, 2018. Such amount will not be available for distribution during the treasury shares holding period. Treasury shares are not pledged.

20. General and administrative expenses

	2018	2017
Staff costs	**506,434**	557,187
Rent	**13,070**	12,270
Others	**168,796**	163,893
	688,300	733,350

21. Net investment income

	2018	2017
Gain from bargain purchase (Note 9)	**21,868**	-
Realized gain on sale of financial assets at FVTPL	**77,923**	48,705
Unrealized loss from changes in fair value of financial assets at FVTPL (Note 8)	**(1,247)**	-
Dividend income	**49,876**	9,750
	148,420	58,455

22. Other income

During the year ended December 31, 2018, the Parent Company sold other assets, classified within other receivables, carried at an amount of KD 637,336 for KD 935,175 ; resulting in a gain of KD 297,839 ; which is part of the total amount of other income reported in the consolidated statement of profit and loss for the year ended December 31, 2018.

23. 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:

	2018	2017
Profit for the year attributable to Shareholders of the Parent Company	**1,668,373**	1,844,099
Number of shares outstanding	**Shares**	Shares
Weighted average number of issued shares	**163,692,769**	163,692,769
Less: Weighted average number of treasury shares	**(1,670,706)**	-
Weighted average number of outstanding shares	**162,022,063**	163,692,769
	Fils	Fils
Basic and diluted earnings per share attributable to Shareholders of the Parent Company	**10.30**	11.27

24. Proposed cash dividends recommendation by the Board of Directors

The Board of Directors' meeting held on February 10, 2019 recommend cash dividends of 5 fils per share, for a total distribution of KD 818,464 for the year ended December 31, 2018 and 5% bonus shares of the issued shares through using treasury shares. These recommendations are 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 22, 2018 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, 2017 (KD 818,464 for the year ended December 31, 2016).

25. Board of Directors' remuneration

The Board of Directors' meeting held on February 10, 2019 has proposed an amount of KD 30,000 as remuneration to Board members for the year ended December 31, 2018. 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 22, 2018.

26. 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.

27. 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 a related party, financial assets at FVTPL, 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, of the Group's profit through the impact on floating rate borrowings:

	2018		
	Increase (Decrease) in interest rate	**Balances on December 31,**	**Effect on consolidated statement of profit or loss**
Finance lease payables	**± 0.5%**	**3,002,536**	**±15,013**

	2017		
	Increase (Decrease) in interest rate	Balances on December 31,	Effect on consolidated statement of profit or loss
Investment deposits	± 0.5%	4,000,000	± 20,000
Finance lease payables	± 0.5%	2,743,305	±13,717

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.

Trade receivables

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the ageing profile of customers over the past three years before December 31, 2018 and January 1, 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

On the above basis, the expected credit loss for trade receivables as at December 31, 2018 and January 1, 2018 was determined as follows:

As at December 31, 2018

	0 -90 days	91 – 180 days	181 – 365 days	Over 365 days	Total
Expected credit loss rate	**0.463%**	**1.34%**	**5.52%**	**5.395%**	**-**
Gross carrying amount	**244,515**	**194,444**	**201,452**	**64,443**	**704,854**
Lifetime expected credit loss	**1,131**	**2,595**	**11,121**	**3,477**	**18,324**

As at January 01, 2018

	0 -90 days	91 – 180 days	181 – 365 days	Total
Expected credit loss rate	0.3512%	0.8569%	3.02%	-
Gross carrying amount	478,583	100,360	89,424	668,367
Lifetime expected credit loss	1,681	860	2,701	5,242

Cash at banks and short term deposits

The Group's cash at banks and short term deposits measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and short term deposits are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

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 currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

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

	2018		
	Increase / (Decrease) against Kuwaiti Dinar	**Effect on consolidated statement of profit or loss**	**Effect on consolidated other comprehensive income**
Egyptian Pound	**± 5.00%**	**±768**	**±122,150**
Omani Riyal	**± 5.00%**	**±25,060**	**±118,638**
US Dollar	**± 5.00%**	**±1,019**	**-**
Arab Emirates Dirham	**± 5.00%**	**±765**	**-**
Total		**±27,612**	**±240,788**

	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

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 reverse, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities.

Maturity table of financial liabilities

	2018		
	3-12 months	**1 – 5 years**	**Total**
Finance lease payables	**2,502,692**	**499,844**	**3,002,536**
Accounts payable and other credit balances	**1,429,163**	**-**	**1,429,163**
Due to a related party	**655**	**-**	**655**
Total	**3,932,510**	**499,844**	**4,432,354**

	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 related party	700	-	700
Total	2,928,242	913,215	3,841,457

Equity price risk:
Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio and are continuously monitored.

28. Fair value measurement
The Group measures financial assets such as financial assets at FVPL 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:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**3,741**	**469,185**	**428,984**	**901,910**
Total	**3,741**	**469,185**	**428,984**	**901,910**

	Level 1	Level 2	Level 3	Total
Financial assets available for sale	4,988	662,421	-	667,409
Total	4,988	662,421	-	667,409

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 Level 1, Level 2 and Level 3.

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 (11).

29. 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.

30. 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:

	2018			
	Transportation, leasing and maintenance segment	**Vehicles body manufacturing segment**	**Investment segment**	**Total**
Total revenues	797,538	1,113,226	2,517,199	4,427,963
Total costs	(672,951)	(1,083,345)	(961,856)	(2,718,152)
Profit for the year	124,587	29,881	1,555,343	1,709,811

	Transportation, leasing and maintenance segment	**Vehicles body manufacturing segment**	**Investment segment**	**Eliminations**	**Total**
Segment assets	3,208,903	2,215,892	29,180,119	(9,566,401)	25,038,513
Segment liabilities	(298,456)	(415,899)	(7,239,734)	3,092,046	(4,862,043)

	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)

B. Geographical segments

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

	2018				
	State of Kuwait and GCC countries	Africa	Total Segments	Adjustments and Eliminations	Total
Total revenues	**4,644,187**	**494,217**	**5,138,404**	**(710,441)**	**4,427,963**
Segment assets	**31,120,669**	**3,484,245**	**34,604,914**	**(9,566,401)**	**25,038,513**
Segment liabilities	**(5,966,142)**	**(1,987,947)**	**(7,954,089)**	**3,092,046**	**(4,862,043)**

	2017				
	State of Kuwait and GCC countries	Africa	Total Segments	Adjustments and Eliminations	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
Segment liabilities	(3,913,443)	(2,213,696)	(6,127,139)	1,915,806	(4,211,333)