

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2017



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Consolidated financial statements and independent auditors' report
For the year ended 31 December 2017

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Independent Auditors' Report
To the Shareholders of Kuwait Cement Company K.P.S.C.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Cement Company K.P.S.C. ("the Parent Company") and its subsidiaries, (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements including 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 31 December 2017, and its consolidated financial performance and cash flows for the financial 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 Auditors' 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. We have fulfilled our other ethical responsibilities in accordance with these requirements and 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. We do not provide a separate opinion on these matters. We identified the following key audit matters:

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment test of investment in an associate

Investments in associates include an associate stated at carrying value of KD 16,628,067. However, management assessed operating value of the associate at end of the financial year to determine whether there is any impairment. It has been concluded that the recoverable value of the associate is higher than its carrying value at date of the consolidated financial statements. This part was significant for our audit, as the audit process is complex and depends on judgments and estimates that are affected by the unexpected future market conditions or economic circumstances, especially those related to expectations of cash flows and applied rates.

There are number of main significant judgments taken in determining inputs for impairment model, which include:

- Revenue Growth
- Pre-tax rate used for deducting the projected cash flows.
- Growth rate used to arrive at the terminal value

See note 7 on the consolidated financial statements for its related disclosures.

How our audit addressed the matter

Audit procedures performed by us included carrying out the following procedures and other matters:

1- Engaging our valuation experts to help in valuation of appropriateness of the discount rates applied and other assessment factors.

2- Valuation of appropriateness of the applied projections on key inputs such as sales volume, revenue growth rates and operating costs which included comparison of such inputs to data derived from external sources, in addition to our assessment based on our knowledge of the customer and segment.

3- We carried out a sensitivity analysis, which included valuation of effect of the reasonably possible decrease in the growth rates and projected cash flows for assessment of the effect on the currently estimated usage value.

4- Valuation of adequacy of the disclosure in note 7 to the financial statements, including disclosures related to key estimates, judgments and sensitivity.

Valuation of available for sale financial assets and their impairment

The assessment of investment in available for sale financial assets is subjective in nature, in the first place for instruments classified within level 2 and 3, because it is assessed by inputs other than the quoted prices in an active market. Fair value of available for sale financial assets is determined by applying valuation techniques, which often include practicing the judgment by management and using assumptions and estimates. Due to significance of available for sale financial assets and its related uncertainty of estimates, and whereas the audit process is complex and is based on judgments and assumptions that are affected by the unexpected future market positions or economic conditions, further, the Group determines whether there is an objective evidence on impairment of individual investments classified as available for sale. In such cases, the cumulative change in fair value is transferred from consolidated statement of comprehensive income to consolidated statement of income. Taking into consideration the aspect of being subjective in nature for valuation of instruments classified within levels 2 and 3 and valuation of impairment. This aspect was significant to our audit.

See note 8 on the consolidated financial statements for its related disclosures.

How our audit addressed the matter

Audit procedures performed by us included carrying out the following procedures and other matters:

1. It was focused on carrying out procedures to assess the applied techniques for valuation of financial assets available for sale. As part of our audit, we used our valuation experts to help in valuation of applied forms and assumptions.

2. We reviewed valuation of the Group with regard to existence of objective evidences on impairment of individual investments.

3. Valuation of adequacy of the disclosure in note 8 to the consolidated financial statements, especially completeness and accuracy of information and its related sensitivity, as well as fair value disclosures mentioned in note (3.3).

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the board of directors report (but does not include the consolidated financial statements and our auditor's report thereon] and group's annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed concerning the other information we received before date of our report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' 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 auditors' 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 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:

- 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.

Independent Auditors' Report
To the Shareholders of Kuwait Cement Company K.P.S.C. (continued)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 auditors' 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 auditors' 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 determined those matters that were of most significance in the audit of the consolidated financial statements for the current period, and are therefore the key audit matters. We describe these matters in our auditors' 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 accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016 and its executive regulations and amendment, 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 and its executive regulations and amendment, nor of the Parent Company's memorandum of incorporation and articles of association, as amended, have occurred during the financial year ended 31 December 2017 that might have had a material effect on the business of the Group or its consolidated financial position.

Faisal Saqer Al Saqer
License No. 172 – "A"
BDO Al Nisf & Partners

Ali Mohammed Kohari
License No. 156 "A"
Member of Prime Global
Al-Salheya Office - Certified Public Accountant

Kuwait: 6 March 2018

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of financial position
As at 31 December 2017

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	5	160,124,189	161,937,752
Intangible assets		110,594	132,915
Investment properties	6	794,656	818,668
Investments in associates	7	16,628,067	15,709,730
Available for sale investments	8	55,022,845	50,408,038
		232,680,351	229,007,103
Currents assets			
Inventories	9	17,579,349	16,367,871
Receivables and other debit balances	10	35,242,517	33,902,954
Investments at fair value through profit or loss	11	8,827,808	8,154,235
Cash and cash equivalents	12	11,413,617	12,956,415
		73,063,291	71,381,475
Total assets		305,743,642	300,388,578
Equity and liabilities			
Equity			
Share capital	13	73,330,387	73,330,387
Share premium		26,675,810	26,675,810
Treasury shares	14	(13,497,645)	(13,497,645)
Profits on sale of treasury shares		445,592	445,592
Statutory reserve	15	47,010,835	45,193,637
Voluntary reserve	16	42,048,346	40,231,148
General reserve		18,930,128	18,930,128
Change of fair value reserve		(25,995,463)	(29,287,828)
Group's share in associates' reserves		(203,112)	(410,163)
Group's share in foreign currency exchange reserve		93,702	117,162
Retained earnings		28,437,008	29,141,885
Equity attributable to shareholders of the Parent Company		197,275,588	190,870,113
Non-controlling interests		144,473	136,184
Total equity		197,420,061	191,006,297
Liabilities			
Non-current liabilities			
Loans, bank facilities and murabaha	17	58,749,216	60,115,957
Provision for employees end of services benefits		2,777,262	2,591,433
		61,526,478	62,707,390
Current liabilities			
Loans, bank facilities and murabaha	17	18,686,515	22,181,196
Payables and other credit balances	18	28,110,588	24,493,695
		46,797,103	46,674,891
Total liabilities		108,323,581	109,382,281
Total equity and liabilities		305,743,642	300,388,578

The accompanying notes form an integral part of these consolidated financial statements.

Dr. Abdul Aziz Rashid Al-Rashid
Vice Chairman

Rashed Abdulaziz Al-Rashed
Chairman

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of income
For the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Sales		97,256,668	98,515,714
Cost of sales	19	(75,918,278)	(73,628,253)
Gross profit		21,338,390	24,887,461
Other operating income	20	676,837	114,656
Selling, general and administrative expenses		(4,928,011)	(4,739,108)
Operating profit		17,087,216	20,263,009
Provision for doubtful debts	10	(626,740)	(294,161)
Finance charges		(3,398,852)	(2,918,405)
Interest income		38,469	24,800
Net investment profits	21	4,364,519	2,966,027
Group's share of business results from associates	7	711,286	459,400
Net profit before deductions		18,175,898	20,500,670
Contribution to Kuwait Foundation for the Advancement of Sciences		(162,024)	(181,450)
National Labour Support Tax		(452,521)	(451,911)
Zakat		(157,855)	(180,764)
Board of directors' remuneration		(208,000)	(190,000)
Net profit for the year		17,195,498	19,496,545
Attributable to:			
Shareholders of the Parent Company		17,191,582	19,486,113
Non-controlling interests		3,916	10,432
Net profit for the year		17,195,498	19,496,545
Basic and diluted earnings per share (fils)	22	24.11	27.33

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of comprehensive income
For the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Net profit for the year		17,195,498	19,496,545
Other comprehensive income/(loss) items			
Items that may be reclassified subsequently to the consolidated statement of income:			
Available for sale investments:			
Net unrealized profits/(losses) from available for sale investments		5,052,429	(573,369)
Transferred to consolidated statement of income from sale of available for sale investments		(1,754,559)	(20,759)
		3,297,870	(594,128)
Investments in associates:			
Group's share in associates' reserves	7	207,051	115,197
		207,051	115,197
Differences of translation of financial statements with foreign currencies:			
Group's share in foreign currency exchange reserve		(23,630)	(3,716)
Total other comprehensive income/(loss) items for the year		3,481,291	(482,647)
Total comprehensive income for the year		20,676,789	19,013,898
Attributable to:			
Shareholders of the Parent Company		20,667,538	19,003,806
Non-controlling interests		9,251	10,092
		20,676,789	19,013,898

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of changes in equity
For the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Profits on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Change of fair value reserve	Group's share in associates' reserves	Group's share in foreign currency exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	73,330,387	26,675,810	(13,497,645)	445,592	43,144,613	38,182,124	18,930,128	(28,694,013)	(525,360)	120,851	28,015,883	186,128,370	-	186,128,370
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	46,092	46,092
Non-controlling interests share in increase of the subsidiary's capital	-	-	-	-	-	-	-	-	-	-	-	-	80,000	80,000
Net profit for the year	-	-	-	-	-	-	-	-	-	-	19,486,113	19,486,113	10,432	19,496,545
Total other comprehensive (loss)/income items	-	-	-	-	-	-	-	(593,815)	115,197	(3,689)	-	(482,307)	(340)	(482,647)
Cash dividends (note 24)	-	-	-	-	-	-	-	-	-	-	(14,262,063)	(14,262,063)	-	(14,262,063)
Transferred to reserves	-	-	-	-	2,049,024	2,049,024	-	-	-	-	(4,098,048)	-	-	-
Balance at 31 December 2016	73,330,387	26,675,810	(13,497,645)	445,592	45,193,637	40,231,148	18,930,128	(29,287,828)	(410,163)	117,162	29,141,885	190,870,113	136,184	191,006,297
Balance at 1 January 2017	73,330,387	26,675,810	(13,497,645)	445,592	45,193,637	40,231,148	18,930,128	(29,287,828)	(410,163)	117,162	29,141,885	190,870,113	136,184	191,006,297
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(962)	(962)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	17,191,582	17,191,582	3,916	17,195,498
Total other comprehensive income/(loss) items	-	-	-	-	-	-	-	3,292,365	207,051	(23,460)	-	3,475,956	5,335	3,481,291
Cash dividends (note 24)	-	-	-	-	-	-	-	-	-	-	(14,262,063)	(14,262,063)	-	(14,262,063)
Transferred to reserves	-	-	-	-	1,817,198	1,817,198	-	-	-	-	(3,634,396)	-	-	-
Balance at 31 December 2017	73,330,387	26,675,810	(13,497,645)	445,592	47,010,835	42,048,346	18,930,128	(25,995,463)	(203,112)	93,702	28,437,008	197,275,588	144,473	197,420,061

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of cash flows
For the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Cash flows from operating activities			
Net profit for the year		17,195,498	19,496,545
Adjustments:			
Depreciations and amortizations		8,883,220	7,524,715
Provision for doubtful debts	10	626,740	294,161
Finance charges		3,398,852	2,918,405
Interest income		(38,469)	(24,800)
Net investment profits	21	(4,479,819)	(3,071,756)
Group's share of business results from associates	7	(711,286)	(459,400)
Provision for employees end of services benefits		185,829	186,059
Net operating profit before working capital changes		25,060,565	26,863,929
Inventories		(1,211,478)	(1,377,711)
Receivables and other debit balances		(1,966,303)	(10,929,590)
Investments at fair value through profit or loss		819,089	56,667
Payables and other credit balances		1,758,322	2,821,339
Net cash generated from operating activities		24,460,195	17,434,634
Cash flows from investing activities			
Paid for the acquisition of property, plant and equipment		(5,446,315)	(5,010,951)
Proceeds from sale of property, plant and equipment		153,865	75,575
Paid for purchase of intangible assets		(14,900)	(42,909)
Proceeds from sale of Intangible assets		-	633
Paid for purchase of available sale investments		(3,671,490)	(2,306,593)
Proceeds from sale of available for sale investments		4,314,496	1,248,445
Dividend received		1,027,214	2,988,092
Interest income received		38,469	24,800
Deposits with financial institutions		-	528,959
Net cash used in investment activities		(3,598,661)	(2,493,949)
Cash flow from financing activities			
Withdrawn from loans, bank facilities and murabaha		15,252,443	39,275,951
Paid for loans, bank facilities and murabaha		(20,018,981)	(40,135,920)
Finance charges paid		(3,398,852)	(2,918,405)
Dividend payments		(14,237,980)	(14,279,785)
Net change in non-controlling interests		(962)	125,752
Net cash used in financing activities		(22,404,332)	(17,932,407)
Net change in cash and cash equivalents		(1,542,798)	(2,991,722)
Cash and cash equivalents at beginning of the year		12,956,415	15,948,137
Cash and cash equivalents at the end of the year	12	11,413,617	12,956,415

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Cement Company K.P.S.C. "the Parent Company" is a Kuwaiti Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Parent Company's shares were listed on Kuwait Stock Exchange on 29 September 1984.

The Parent Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate resisting Portland cement and Portland cement for industrial purposes and all kinds of cement at large.
2. Construction of factories and laboratories needed for achieving the Parent Company's objectives.
3. Dealing in all types of products, materials, tools and machinery relating to the Parent Company's activity and transferring them locally or abroad.
4. The Parent Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
5. Utilizing the financial surpluses of the Parent Company by investing and developing them locally and globally in financial and real estate portfolios and investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds. inside the State of Kuwait or abroad, to be managed by specialized companies and entities.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries together referred to as "the Group".

Name of the Company:	Legal entity	Activity Principal	Country of Incorporation	Percentage of ownership (%) 2017	2016
Shuwaikh Cement Company	K.S.C.C.	Industrial	Kuwait	99.250	99.250
Amwaj Real Estate Company	K.S.C.C.	Real Estate	Kuwait	96.000	96.000
Kuwait Cement Ready-mix ompany	K.S.C.C.	Industrial	Kuwait	99.844	99.844

The consolidated financial statements were prepared using the audited financial statements of subsidiaries as at 31 December 2017.

The subsidiaries' total assets amounted to KD 38,791,337 as at 31 December 2017 (31 December 2016: 34,849,059) and their net profits amounted to KD 1,262,174 for the year ended 31 December 2017 (31 December 2016: KD 1,896,261).

The consolidated financial statements for the year ended 31 December 2017 were authorized for issue by the Parent Company's board of directors on 6 March 2018 and it is subject to the approval of the shareholders' general assembly.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 Application of New and Revised International Financial Reporting Standards (IFRSs)

a) New standards, interpretations and amendments effective from 1 January 2017

The accounting policies applied by the Group 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:

Amendments to IAS 7: Disclosure Initiative
The amendment to this standard which is effective prospectively for annual periods beginning on or after 1 January 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of these amendments did not have any material impact on the current year.

Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses
The amendments to this standard which are effective retrospectively for annual periods beginning on or after 1 January 2017 clarify that any entity needs to look into whether the tax law limits sources of the taxable profits in return for deducting the amendment resulting from temporary tax differences. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The adoption of these amendments did not have any material impact on the current year.

Annual Improvements to IFRSs 2014 – 2016 Cycle:

Amendments to IFRS 12 - "Disclosure of Interests in Other Entities"
IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

b) 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:

Amendments to IFRS 2: Classification and measurement of share-based payment transactions.
This standard will be effective for annual periods beginning on or after 1 January 2018. These amendments address three main aspects as follows:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

These amendments are not expected to have any material impact on the Group.

IFRS 9 Financial Instruments
The standard, effective for annual periods beginning on or after 1 January 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.

Management of the Parent Company anticipates that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 – Revenue from contract with customers
The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. 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

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16: Leases
This standard will become effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under consolidated 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. As at the date of commencement of the lease, the tenant will acknowledge commitment of paying the lease payments, and a principal amount represents the right to use the concerned principal during lease period.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

IFRS 17: Insurance Contracts
This standard will become effective for annual periods beginning on or after 1 January 2021, and replaces IFRS 4: Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:
a) A specific adaptation for contracts with direct participation features (Variable fee approach).
b) A simplified approach (premium allocation approach) mainly for short duration contracts.

These amendments are not expected to have any material impact on the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The interpretation will be effective for annual periods beginning on or after 1 January 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.

These amendments are not expected to have any material impact on the Group.

Amendments to IAS 28 – Investment in Associates and Joint Ventures
The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted.

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

These amendments are not expected to have any material impact on the Group.

Amendments to IAS 40 – Transfers of Investment Property
The amendments will be effective for annual periods beginning on or after 1 January 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.

These amendments are not expected to have any material impact on the Group.

2.3 Significant accounting policies

2.3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control exists when the parent company has: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

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

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting polices.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is stated in the consolidated statement of income and is calculated as the difference between:

a) The aggregate of the fair value of the consideration received and the fair value of any retained interest and
b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations
Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in consolidated comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed of.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is 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 its carrying amount, 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's comprehensive statement of income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of results of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Impairment of an associate and a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

2.3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses if any. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has 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.

Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

	Useful life
Buildings	10-35 years
Machinery & equipment	7-25 years
Motor vehicles, computers & furniture	1-7 years

The asset's residual values, useful life and depreciation method is 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. A change in the estimated useful life of a property, plant and equipment is applied at the beginning of the year of change prospectively.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by the difference between the net sales proceeds and the net carrying amount of the asset and is recognised in the consolidated statement of income.

Work in progress is included in property, plant and equipment in the consolidated statement of financial position until they are completed and ready for their intended use, at that time, they are reclassified under similar assets and the depreciation commences.

2.3.3 Intangible assets

Intangible assets with definite life, which are separately acquired, are carried at cost less accumulated amortization and impairment losses if any. Amortization is charged on a straight-line basis over the estimated useful lives.

The useful live and amortization methods are reviewed at the end of each financial year. Changes in estimations are accounted for as at the beginning of the financial year in which the change occurred. Intangible assets with infinite life, which are separately acquired, are carried at cost less impairment losses if any.

Intangible assets are removed on disposal or when it is proved that there will not be any future benefit resulting from use of these assets. The profit and loss resulting from disposal are measured by the difference between the net proceeds and carrying value of the disposed asset and are then recorded in the consolidated statement of income.

2.3.4 Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the company, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is recorded at cost less impairment in value, if any. Land is not depreciated. Building is depreciated using the straight line method over its estimated useful live of 10-20 years.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the disposal of investment property are determined as the difference between the carrying amount and the net disposal proceeds. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

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

2.3.5 Impairment of tangible and intangible assets other than goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value. 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.6 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition immediately in the statement of income.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" "FVTPL", held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. The Group has determined the classification of its financial assets as follows:

Financial assets at fair value through profit or loss

Financial assets are classified at FVTPL where the financial asset is either held for trading or it is designated at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gains or losses arising from remeasurement recognised in the consolidated statement of income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The net gain or loss recognised in consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in (note 3.3).

Available for Sale (AFS) assets

AFS financial assets are non-derivatives which are not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value through profit or loss.

The financial assets available for sale are re-measured at fair value. Fair value is determined in the manner described in (note 3.3).

Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of changes in fair value reserve. When available for sale assets are disposed of or is determined to be impaired, the cumulative profit or loss previously recognized in changes in fair value reserve shall be transferred to the statement of income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognized in the consolidated statement of income when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognized in other comprehensive income.

Loans and debtors

Loans and debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash with banks) are measured at amortized cost using the effective interest method, less any impairment.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Impairment losses are recognized in the consolidated statement of income directly when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of such assets, that the estimated cash flows of such asset will be affected.

For AFS investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's average effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of doubtful debts allowance. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

When AFS financial assets are impaired, the accumulated gains and losses previously recognized in the statement of other comprehensive income are reclassified to the consolidated statement of income for the period.

For financial instruments that are measured at amortized cost, in case of any positive change in the period subsequent to the impairment losses, which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the income at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in consolidated statement of income are not reversed through profit or loss, as any increase in fair value subsequent to an impairment loss is recognized in other comprehensive statement of income.

Derecognition
The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statement of income.

Financial liabilities
Financial liabilities (including borrowings; payables and other credit balances) are recognized initially at fair value, net of transaction costs incurred subsequently measured at amortized cost using the effective interest method.

Derecognition
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of income.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously.

2.3.7 Inventories

Inventories are held at lower of cost and net realizable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

2.3.8 Employees' end of service indemnity

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at termination of employment. Regarding the labor in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. This liability is un-funded and is computed based on amount payable that would arise on involuntary termination of all employees on the consolidated financial statements date. The management expects this method to produce a reliable approximation of the present value of the Goup's liability.

2.3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.10 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and were not reissued or cancelled till the consolidated financial statements date. Treasury shares are accounted for using the cost method, where the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realized losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings and then to reserves then to share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.11 Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

Transactions and balances
Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated financial statements date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except those companies that operate in countries with high inflation rate) are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the consolidated financial statements.
- Income and expenses for each statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of the statement of equity.

2.3.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and after elimination of intra-group sales.

- Revenues from sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer.These risks and rewards are transferred generally to the buyer on delivery and legal title is passed.
- Dividend income is recognised when the right to receive payment has been established.
- Interest income from deposits is recognised on time basis and other revenues are recognised on an accrual basis.

2.3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.14 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee
Assets held under finance leases are initially recognised in the consolidated statement of financial position as assets for the group at its fair value at the beginning of lease or, if it was less, at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

2.3.15 Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

3. Risk Management

3.1 Financial risk

The activities of the Group expose it to a set of financial risks, which are market risk, which include (foreign currency risk and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from the change in interest rates, and price risk) in addition to credit risk and liquidity risk.

The Group's management for these financial risks is concentrated in the continuous evaluation of market conditions and trends and the management's assessment of the changes to long and short-term market factors.

Market risk

Foreign currency risk
The Group is exposed to foreign currency risk resulting primarily from dealing with financial instruments in US Dollar. The foreign currency risk results from future transactions and from the assets and liabilities denominated with different currency other than the functional currency.

The Group has set policies to manage foreign currency risk represented in close monitoring of the change in currency rate, in addition to monitoring the effect of such changes on the financial position of the Group. Also, the use of hedging instruments to cover for the exchange rate risk of some foreign currencies over the year.

The Group is exposed to foreign currency risk resulting primarily from translation of assets and liabilities in foreign currency such as cash and cash equivalents, investments, payables, loans, bank facilities and Murabaha.

The following is the value of net positions of US Dollar as at the consolidated financial statements date:

	2017	2016
Net positions of US Dollar	1,235,845	(201,483)

In case the US Dollar decreases / increases by 5% against the Kuwait Dinar, while all other variables are held constant, the Group's net profits will increase/decrease by KD 61,792 for the year ended 31 December 2017 (31 December 2016: KD 10,074).

Price risk
The Group is exposed to price risk through its investments classified in the consolidated financial statements as available for sale investments, or financial investments at fair value through profit or loss.

The Group manages this risk by diversifying its investments on the basis of pre-determined asset allocation across various categories, continuous appraisal of market conditions and trends and management's estimate of long term changes in fair value. Also the Group keeps its investments at specialised investment companies which manage these investments.

The Group monitors the management of the investment portfolios through monthly periodic reports provided by the portfolio managers of these portfolios and takes the necessary actions when required to minimise the expected market risk of these investments.

The table below summarizes the impact of the decrease in the Kuwait Stock Exchange "KSE" index on the Group's net profit for the year and consolidated statement of comprehensive income. This analysis is based on the assumption that the KSE changes by ±5% with all other variables held constant.

	Effect on consolidated statement of income		Effect on consolidated statement of comprehensive income	
	2017	**2016**	**2017**	**2016**
Investments at fair value through profit or loss	51,030	71,205	-	-
Available for sale investments	-	-	2,364,573	2,272,347

Cash flow and fair value fluctuation risk resulting from the change in interest rate:

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are independent of interest rate risks.

The Group's interest rate risk arises from long-term borrowings. The Group has floating and fixed interest bearing loans.

The Group analyses its interest rate exposure on a dynamic basis. Available scenarios are considered by the Group, taken into consideration the ability for refinancing and renewal of existing and alternative borrowings.

At 31 December 2017, if the interest rate on US Dollar bank facilities, loans and murabaha had been 0.20% higher, with all other variables held constant, net profits for the year would have been lower by KD 10,551 (31 December 2016: KD 16,812).

Credit risk

This represents the inability of one party to the financial instrument to meet its liabilities on maturity date, resulting into financial losses to the other party. The Group's credit risk is highly concentrated in receivables and cash and cash equivalents; the Group manages and follows up the credit risk as follows:

- Dealing with customers, with good credit worthiness and reputation, related parties and government bodies.
- Diversification of the customer base and avoiding centralization.
- Obtaining bank guarantees from customers to the Company issued by high credit rating banks and irrecoverable letters of credit.
- Transacting with financial institutions with high credit reputation.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The ultimate responsibility of managing the liquidity risk is kept with the board of directors. The Group manages the liquidity by keeping appropriate reserves and obtaining bank credit facilities. In addition to continuous monitoring of the expected and actual cash flows and a comparison of maturity dates of financial assets and liabilities.

The following are the maturity dates of undiscounted financial liabilities of the Group as of 31 December:

	2017		
	Within one year	**More than one up to three years**	**More than three years**
Loans, bank facilities and murabaha	19,166,813	36,040,140	29,212,498
Payables and other credit balances	28,110,588	-	-

	2016		
	Within one year	**More than one up to three years**	**More than three years**
Loans, bank facilities and murabaha	21,279,852	56,081,560	11,083,509
Payables and other credit balances	24,493,695	-	-

3.2 Capital risks

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (loans, bank facilities and Murabaha offset by cash and cash equivalents) and equity.

The Group aims to keep gearing ratio to total capital ranging from 20% to 30% determined as the proportion of net debt to total capital.

The following shows the net debt to total capital as at 31 December:

	2017	2016
Total loans, bank facilities and murabaha	77,435,731	82,297,153
(Less): Cash and cash equivalents	(11,413,617)	(12,956,415)
Net debt	66,022,114	69,340,738
Total equity attributable to shareholders of the Parent Company	197,275,588	190,870,113
Total capital	263,297,702	260,210,851
Net debt to total capital ratio (%)	25.08	26.65

3.3 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1: Quoted prices in active markets for quoted financial instruments.

- Level 2: Quoted prices in active markets for similar instruments. Quoted prices in inactive markets for similar assets or liabilities. Valuation techniques based on observable inputs other than quoted prices of financial instruments.

- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets and liabilities are determined:

	Fair value As at 31 December					
Financial assets	**2017**	**2016**	**Fair value level**	**Valuation techniques and key inputs**	**Significant observable inputs**	**Relationship of unobservable inputs to fair value**
Available for sale investments:						
Quoted shares	47,291,462	46,366,700	First	Last bid price	None	None
Foreign Funds	2,730,374	711,048	Second	Net asset value	None	None
Investments at fair value through profit or loss:						
Local shares	673,311	1,106,442	Third	Based on the latest available financial statements or on the basis of the last transaction	None	None
Local Funds	347,290	317,655	Second	Net asset value	None	None
Foreign investments	7,807,207	6,730,138	Second	Net asset value	None	None

Fair value of financial assets and liabilities of the Group not measured at fair value on a periodical basis is as follows (provided that disclosing the fair value):

	31 December 2017		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Receivables and other debit balances	35,242,517	35,242,517	33,902,954	33,902,954
Financial liabilities				
Loans, bank facilities and murabaha	77,435,731	77,435,731	82,297,153	82,297,153
Payables and other credit balances	28,110,588	28,110,588	24,493,695	24,493,695
Total	105,546,319	105,546,319	106,790,848	106,790,848

	Fair value hierarchy at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Receivables and other debit balances	-	-	35,242,517	35,242,517
Financial liabilities				
Loans, bank facilities and murabaha	-	-	77,435,731	77,435,731
Payables and other credit balances	-	-	28,110,588	28,110,588
Total	-	-	105,546,319	105,546,319

	Fair value hierarchy at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Receivables and other debit balances	-	-	33,902,954	33,902,954
Financial liabilities				
Loans, bank facilities and murabaha	-	-	82,297,153	82,297,153
Payables and other credit balances	-	-	24,493,695	24,493,695
Total	-	-	106,790,848	106,790,848

The fair value of financial assets and liabilities are categorized under level 3 below by using recognized valuation technique such as discounted cash flows.

4. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, the management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects both current and future periods. The following are the assumptions concerning the future that may result in a significant risk of causing material adjustments to the assets and liabilities within the next financial years.

Valuation of financial instruments
Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. Information regarding the required valuation techniques and inputs used to determine the fair value of assets and liabilities is disclosed in note 3.3.

Impairment of inventories
The management assesses at the date of each consolidated financial position whether inventory are impaired. On determining impairment, the management is required to make significant judgments including assessment of factors such as the nature of the industry and market conditions.

Impairment of receivables
Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in international and financial economic conditions that correlate with default on receivables.

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

Classification of investments
On acquisition of an investment, the Group has to decide whether it should be classified as carried at fair value through profit or loss or as available for sale.

A financial asset is classified by the Group at fair value through profit or loss if acquired principally for the purpose of generating short-term profit or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. All other investments are classified as available for sale.

Impairment of investments
Management determines the impairment in equity instruments classified as available for sale when there is a significant or prolonged decline in the fair value of these investments, the determination of what is significant or prolonged requires judgment from management. The Group evaluates, among other factors, the usual fluctuation of listed stock prices, expected cash flows and discount rates of unquoted investments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Note 8 shows effect of this on the consolidated financial statements.

Impairment of investments in associates
The Group calculates the impairment amount by the difference between the recoverable value of the associates and their carrying value if there is any objective evidence that the investment in associates is impaired. Estimation of the recoverable amount requires the Group to estimate the expected future cash flows and select the appropriate inputs for valuation.

Impairment of tangible assets and intangible assets
The Group reviews the tangible and intangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives and the related depreciation for property, plant and equipment. Group's management increased the depreciation charge where the useful lives are lower than previously estimated lives. The Group eliminates or writes down obsolete or non-strategic assets which have been disposed or sold.

5. Property, plant and equipment

	Land and buildings	Machinery and equipment	Motor vehicles, computers & furniture	Projects in Progress	Total
Cost					
At 1 January 2016	31,742,989	90,497,493	11,889,418	131,997,113	266,127,013
Additions	138,245	1,164,653	323,910	3,384,143	5,010,951
Transfers	21,142,692	111,012,597	1,210,998	(133,366,287)	-
Disposals	-	(9,762)	(57,106)	(29,649)	(96,517)
Exchange differences	245	336	331	252	1,164
At 31 December 2016	53,024,171	202,665,317	13,367,551	1,985,572	271,042,611
Additions	1,029,576	1,741,634	1,325,247	3,073,058	7,169,515
Transfers	-	-	912,500	(912,500)	-
Disposals	-	(6,072)	(216,270)	-	(222,342)
Exchange differences	(11,617)	(46,115)	(4,904)	(1,071)	(63,707)
At 31 December 2017	54,042,130	204,354,764	15,384,124	4,145,059	277,926,077
Accumulated depreciation					
At 1 January 2016	23,340,359	75,735,652	2,559,453	-	101,635,464
Charge for the year	1,386,292	5,033,444	1,068,439	-	7,488,175
Disposals	-	(6,946)	(13,996)	-	(20,942)
Exchange differences	281	1,451	430	-	2,162
At 31 December 2016	24,726,932	80,763,601	3,614,326	-	109,104,859
Charge for the year	1,592,137	5,498,871	1,730,979	-	8,821,987
Disposals	-	(6,015)	(62,462)	-	(68,477)
Exchange differences	(10,438)	(41,801)	(4,242)	-	(56,481)
At 31 December 2017	26,308,631	86,214,656	5,278,601	-	117,801,888
Net carrying value					
At 31 December 2016	28,297,239	121,901,716	9,753,225	1,985,572	161,937,752
At 31 December 2017	27,733,499	118,140,108	10,105,523	4,145,059	160,124,189

All property, plant and equipment located on land leased from the state owned under lease for a term of five years ending in 2019.

Depreciation has been charged to the consolidated statement of income as follows:

	2017	2016
Cost of sales	8,749,825	7,413,093
Selling, general and administrative expenses	72,162	75,082
	8,821,987	7,488,175

6. Investment properties

	2017	2016
Cost		
As at 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As at 1 January	1,171,076	1,147,064
Charge for the year	24,012	24,012
As at 31 December	1,195,088	1,171,076
Carrying value	794,656	818,668

Fair value of the Group's investment properties was reached to as at 31 December 2017 based on the valuation done on that date by independent valuers who are not related to the Group. Those valuers are licensed by the official bodies and they have qualifications and latest experience in valuation of properties at these locations. Fair value of investment properties classified based on comparable market prices which reflect prices of recent transactions for similar real estates. To estimate the value of such real estates, it has been supposed that the current usage for the real estates is the best usage for the same.

Details of real estate investments of the Group and information about the fair value hierarchy as at 31 December are as follows:

	Level 2	Fair value 2017	Fair value 2016
Investment properties	3,705,000	3,705,000	3,835,000

There have been no transfers between levels during the year.

7. Investments in associates

Name of the associate	Country of incorporation	Voting capital and ownership interest %	Carrying value 2017	Carrying value 2016	Measurement method
Kuwait Rocks Co. (K.S.C.C.) - (under liquidation)	Kuwait	30.00	-	-	Equity
Marine Contracting and Services Co. K.P.S.C.	Kuwait	33.39	16,628,067	15,709,730	Equity
			16,628,067	15,709,730	

Movement on investment in associates was as follows:

	2017	2016
Balance at 1 January	15,709,730	15,516,911
Group's share of business results from associates	711,286	459,400
Group's share in associates' reserves	207,051	115,197
Cash dividends received	-	(381,778)
Balance at 31 December	16,628,067	15,709,730

On 6 July 2017, Marine Contracting and Services Co. K.P.S.C. has exited from Kuwait Stock Exchange. The Parent Company's management carried out a study to determine whether there is any indication that the investment in associate has suffered impairment as at the reporting date. The study concluded that the fair value of the associate exceeds its carrying value.

Summarized financial information in respect of the significant associates is as follows: The summarized financial information below represents the amounts shown in the latest financial information available to those associates, which has been prepared in accordance with International Financial Reporting Standards:

Marine Contracting and Services Company:

Available financial statements	Unaudited financial statements for the period ended 30 September	
	2017	**2016**
Assets	400,013,804	347,552,955
Liabilities	301,958,779	253,676,273
Non-controlling interests	48,258,911	46,830,714
Income	99,626,919	60,806,898
Profit for the period	2,130,089	1,375,767
Other comprehensive income items for the period	620,057	344,979
Total comprehensive income	2,750,146	1,720,746

8. Available for sale investments

	2017	**2016**
Quoted shares	47,291,462	46,366,700
Unquoted shares	5,001,009	3,330,290
Foreign Funds	2,730,374	711,048
	55,022,845	50,408,038

The fair value of available for sale investments was determined based on valuation levels mentioned in note 3.3.

The quoted investments include investments of KD 20,353,814 as at 31 December 2017 in shares of National Industries Group Holding K.P.S.C. which is one of the major shareholders in the Group (31 December 2016: KD 16,554,435). A study was prepared by the management for this investment to determine whether there is an impairment in value or not, the management study resulted that the fair value of the investment exceeds the current market value and did not prove to be impaired in the consolidated statement of income.

Unquoted investments were stated at cost less impairment, if any, since their fair values could not be reliably determined and there have not been active markets for such investments. The available information for these investments did not indicate the existence of any impairment in value.

Available for sale investments include investments of KD 1,188,432 as of 31 December 2017 (31 December 2016: KD 264,372) that were valued based on recent valuation reports available during the year from investment managers as no reports were available for these investments at date of the consolidated financial statements.

Impairment of certain available for sale investments was recognized at KD 19,719 for the year ended 31 December 2017 (31 December 2016: KD 665) as a result of the significant decrease of their value. This impairment was recognized in the consolidated statement of income.

Available for sale investments are denominated in the following currencies as at 31 December:

	2017	2016
KD	50,923,896	47,656,840
USD	3,700,270	2,494,590
Euro	176,638	256,608
GBP	222,041	-
	55,022,845	50,408,038

9. Inventories

	2017	2016
Raw materials	16,904,918	15,764,481
Finished goods	674,431	603,390
	17,579,349	16,367,871

10. Receivables and other debit balances

	2017	2016
Amounts under collection at banks	917,353	380,143
Receivables against unconditional bank guarantees	4,466,633	4,147,517
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	5,922,640	10,310,043
Related parties (note 25)	1,170,507	1,566,634
Other trade receivables	22,379,026	17,096,046
Total trade receivables	34,856,159	33,500,383
Other receivables	1,682,006	1,454,123
	36,538,165	34,954,506
Provision for doubtful debts	(3,636,236)	(3,098,264)
	32,901,929	31,856,242
Prepaid expenses	490,029	314,098
Notes receivables	1,850,559	1,732,614
	35,242,517	33,902,954

The average credit period granted to trade receivables is 60-90 days. No interest is charged on trade receivables.

The fair value of guarantees received by the Group from the debtors was KD 5,323,160 as at 31 December 2017 (31 December 2016: KD 5,151,275).

Impaired and fully provided for receivables amounted to KD 3,636,236 as at 31 December 2017 (31 December 2016: KD 3,098,264).

The following is the movement on the provision for doubtful debts:

	2017	2016
Balance at beginning of the year	3,098,264	2,810,307
Charged during the year	626,740	294,161
Bad debts during the year	(85,170)	(6,204)
Exchange differences	(3,598)	-
Balance at end of the year	3,636,236	3,098,264

11. Investments at fair value through profit or loss

	2017	2016
Local investments	1,020,601	1,424,097
Foreign investments	7,807,207	6,730,138
	8,827,808	8,154,235

The fair value of investments at fair value through profit or loss was determined based on valuation levels mentioned in note 3.3.

Foreign investments as at 31 December 2017 include investments of KD 91,795 (31 December 2016: KD 4,807,693) that were priced based on recent available reports from investment managers during the year.

12. Cash and cash equivalents

	2017	2016
Cash on hand and at bank	10,073,629	7,725,495
Cash at investment portfolios	336,326	3,280,105
Bank deposits	1,003,662	1,950,815
	11,413,617	12,956,415

The average effective annual interest rate on bank deposits was 1.5% as at 31 December 2017 (31 December 2016: 0.750%).

13. Share capital

The authorized, issued and fully paid share capital is KD 73,330,387 divided into 733,303,870 shares as at 31 December 2017/2016, each of a nominal value of 100 fils. All shares are cash shares.

14. Treasury shares

	2017	2016
Number of shares (share)	20,200,729	20,200,729
Percentage to issued shares (%)	2.75	2.75
Market value (KD)	9,474,142	8,282,299

The Parent Company is committed to keeping reserves, retained earnings and share premium equal to the purchased treasury shares along acquisition period according to the instructions of the concerned regulatory authorities.

15. Statutory reserve

In accordance with the Parent Company's articles of association, 10% of the net profit for the year, before KFAS contribution, NLST, Zakat expense, and board of directors' remuneration, is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfer when the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up capital in years when profit is not sufficient for the payment of such dividend.

16. Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the net profit for the year, before KFAS contribution, NLST, Zakat expense, and board of directors' remuneration, is transferred to the voluntary reserve. The Parent Company may resolve to discontinue such transfer under a resolution of the shareholders' general assembly upon recommendation by the board of directors. There is no restriction on distribution of this reserve.

17. Loans, bank facilities and Murabaha

	2017	2016
Non-current portion		
Loans and borrowings	28,930,000	28,245,337
Murabaha	29,819,216	31,870,620
	58,749,216	60,115,957
Current portion		
Loans and borrowings	6,811,973	9,038,000
Murabaha	11,874,542	13,143,196
	18,686,515	22,181,196
Total loans, bank facilities and murabaha	77,435,731	82,297,153

The effective annual interest rate on loans, bank facilities and murabaha was 3.625% as at 31 December 2017 (31 December 2016: 3.215%).

Certain loans are secured by the whole official location and extensions of the Company's factory with book value of KD 12,481,819 as at 31 December 2017 (31 December 2016: KD 13,850,632). One of the main borrowings, bank facilities and murabaha covenants is that the Group will not distribute dividends if the ratio of current assets to current liabilities decreases less than (1:1.5) and not to pledge movable and non-movable funds to others before obtaining written approval from the bank. The loans and murabaha covenants also state that the ratio of net debts to operating profit not be more than (1:8) and the ratio of operating profit to interests not be less than (2:1) and the ratio of net debts to equity increases not be more than (1:0.8) and the ratio of liabilities to equity not be more than (1:1.3).

Loans, bank facilities and murabaha are denominated in the following currencies as at 31 December:

	2017	2016
KD	72,160,470	73,891,029
USD	5,275,261	8,406,124
	77,435,731	82,297,153

18. Payables and other credit balances

	2017	2016
Suppliers	20,976,523	17,197,934
Retentions	567,201	1,006,452
Accrued interest and expenses	2,961,732	2,778,274
Notes payable	1,165,399	974,327
Clients - advance payments	747,327	1,013,489
payable cash dividends	696,010	671,927
Contribution to Kuwait Foundation for the Advancement of Sciences	361,181	192,244
National Labour Support Tax	452,521	451,911
Zakat	172,293	194,334
Other	10,401	12,803
	28,110,588	24,493,695

19. Cost of sales

	2017	2016
Raw material	62,894,397	61,695,385
Change in finish goods	(78,721)	(12,949)
Maintenance and spare parts	4,215,766	4,601,723
Salaries and benefits	4,705,113	3,971,406
Depreciations and amortizations	2,614,856	1,605,990
Rent	654,937	509,926
Other	911,930	1,256,772
	75,918,278	73,628,253

20. Other operating income

	2017	2016
Net income from investment properties	97,974	98,510
Net profits / (losses) from exchange differences	49,875	(120,752)
Other revenues	528,988	136,898
	676,837	114,656

Other revenues item includes an amount of KD 355,000 representing the financial effects resulted from approval of the shareholders' general assembly for the financial statements of the year ended 31 December 2016 held on 26 April 2017.

21. Net investment profits

	2017	2016
Investments at fair value through profit or loss:		
Unrealised profits	1,089,911	216,721
Realized gains	402,751	-
Cash dividends	34,101	19,458
	1,526,763	236,179
Available for sale investments:		
Impairment	(19,719)	(665)
Realized gains	1,979,662	249,386
Cash dividends	993,113	2,586,856
Portfolio management fees	(115,300)	(105,729)
	2,837,756	2,729,848
	4,364,519	2,966,027

22. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders of the Parent Company for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the year, taking into account treasury shares. The calculation of basic and diluted earnings per share is as follows:

	2017	2016
Net profit for the year attributable to shareholders of the Parent Company	17,191,582	19,486,113
Weighted average number of outstanding shares during the year (share)	713,103,141	713,103,141
Basic and diluted earnings per share (fils)	24.11	27.33

23. Staff costs

Staff costs include wages, salaries, leave, end of service's indemnity and other benefits for the Group's staff. The staff costs amount for the year ended 31 December 2017 is KD 12,101,774 (31 December 2016: KD 10,379,416).

24. Dividends

The General Assembly of shareholders, held on 26 April 2017, approved cash dividends of 20 fils per share of the paid share capital after deducting treasury shares for 2016 (2015: 20 fils). Further, it approved the amendment to sequence of the eighth item to be the seventh and its text will be as follows "approval of KD 190,000 as a board of directors' remuneration and KD 120,000 for their membership in board committees).

On 6 March 2018 the Parent Company's Board of Directors proposed to distribute cash dividends at 20 fils per share after deducting treasury shares from the paid up capital for year 2017.

25. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December 2017. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.
Following is a summary of significant related party transactions and outstanding balances:

	2017	2016
Transactions		
Sales	2,845,893	3,304,235
Board of directors' remuneration	208,000	190,000
Committees' fees	150,000	120,000
Other benefits to the board of directors	-	355,000
Senior management salaries and benefits	902,745	600,491
Balances		
Receivables and other debit balances (Note 10)	1,170,507	1,566,634
Provision for end of service indemnity	489,577	487,377

All transactions with related parties are subject to the approval of the shareholders of the General Assembly.

26. Contingent liabilities and capital commitments

	2017	2016
Contingent liabilities		
Letters of guarantee	573,633	424,383
Capital commitments		
Letters of Credit	1,848,583	176,807
Uncalled subscription relating to investments in funds	321,972	321,972
Contracts for importing raw materials	16,288,435	17,053,668
Projects in Progress	681,635	86,912

There is a dispute between the Parent Company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while, during the previous period, parent company's management has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. During the previous period, a ruling was issued for the release of all the Parent Company's financial obligations towards the supplier. The dispute with the supplier has not been resolved yet and the Parent Company's management believes that the provisions provided are sufficient against all the obligations that might result from this dispute.

27. Segment financial information

The management has classified its significant operating sectors as follows:
- Manufacturing sector which includes production and sale cement & ready – mix cement.
- Investments sector.

Financial information about business segments for the year ended 31 December is as follows:

	2017		
	Manufacturing sector	**Investments sector**	**Total**
Segments revenues	97,785,656	5,173,780	102,959,436
Gross segments profit	16,362,501	5,173,780	21,536,281
Segments assets	224,133,940	81,609,702	305,743,642

	2016		
	Manufacturing sector	**Investments sector**	**Total**
Segments revenues	98,652,612	3,523,937	102,176,549
Total segments profit	19,870,338	3,523,937	23,394,275
Segments assets	222,017,802	78,370,776	300,388,578

	2017	**2016**
Adjustments:		
Total segments profit	21,536,281	23,394,275
Finance charges	(3,398,852)	(2,918,405)
Interest income	38,469	24,800
Net segments profit before deductions	18,175,898	20,500,670

Geographical segments:
Financial information about geographical segments for the year ended 31 December is set out below:

	2017		
	Income	**Assets**	**Liabilities**
Inside Kuwait	98,565,481	287,360,008	105,922,712
Outside Kuwait	4,393,955	18,383,634	2,400,869
	102,959,436	305,743,642	108,323,581

	2016		
	Income	**Assets**	**Liabilities**
Inside Kuwait	96,955,047	287,230,171	107,755,826
Outside Kuwait	5,221,502	13,158,407	1,626,455
	102,176,549	300,388,578	109,382,281