

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company
Kuwait Public Shareholding Company
And its subsidiaries
State of Kuwait

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2018

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Consolidated financial statements and independent auditors' report
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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 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 of investment in an associate

Investments in associates include an associate at carrying value of KD 16,258,955 and its fair value is KD 16,258,955. 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 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- 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 8 to the financial statements, including disclosures related to key estimates, judgments and sensitivity.

Valuation of financial assets at fair value through other comprehensive income

Investment valuation of financial assets at fair value through other comprehensive income 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 is determined by applying valuation techniques, which often include practicing the judgment by management and using assumptions and estimates. Due to significance of financial assets at fair value through other comprehensive income 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. Taking into consideration the aspect of being subjective in nature for valuation of instruments classified within levels 2 and 3.This aspect was significant to our audit.

See Note 9 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 at fair value through other comprehensive income. As part of our audit, we used our valuation experts to help in valuation of applied forms and assumptions.

2. We have valuated the price to carrying value, price to earnings used through measurement of the same in the comparable companies and market information. In addition, we have valuated growth rates, discount rates and final growth rates for valuations that are made using the discounted cash flows:

3. Valuation of adequacy of the disclosure in note 9 to the consolidated financial statements, especially completeness and accuracy of information and its related sensitivity, as well as fair value disclosures mentioned in note (3.4).

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 auditors' report thereon) and group's annual report. The annual report is expected to be made available to us after the date of this auditors' 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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)

- 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, as amended, and by the Parent Company's memorandum of incorporation and articles of association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its executive regulations, as amended, and by the Parent Company's memorandum of incorporation and articles of association, as amended, have occurred during the financial year ended 31 December 2018 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: 19 March 2019

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 2018

(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	6	156,936,158	160,124,189
Intangible assets		69,469	110,594
Investment properties	7	770,641	794,656
Investments in associates	8	16,258,955	16,628,067
Financial assets at fair value through other comprehensive income	9	66,317,694	-
Available for sale financial assets	10	-	55,022,845
		240,352,917	232,680,351
Current assets			
Inventories	11	18,748,755	17,579,349
Receivables and other debit balances	12	33,401,007	35,242,517
Financial assets at fair value through statement of income	13	-	8,827,808
Cash and cash equivalents	14	9,408,848	11,413,617
		61,558,610	73,063,291
Total assets		301,911,527	305,743,642
Equity and liabilities			
Equity			
Share Capital	15	73,330,387	73,330,387
Share premium		26,675,810	26,675,810
Treasury shares	16	(13,528,077)	(13,497,645)
Profits on sale of treasury shares		441,409	445,592
Statutory reserve	17	47,856,817	47,010,835
Voluntary reserve	18	42,048,346	42,048,346
General reserve		18,930,128	18,930,128
Other equity items	19	(24,949,961)	(25,995,463)
Group's share in associates' reserves		225,187	(203,112)
Group's share in foreign currency exchange reserve		95,329	93,702
Retained earnings		21,887,300	28,437,008
Equity attributable to the Parent Company's shareholders		193,012,675	197,275,588
Non-controlling interests		145,358	144,473
Total equity		193,158,033	197,420,061
Liabilities			
Non-current liabilities			
Loans, bank facilities and murabaha	20	58,691,779	58,749,216
Provision for employees' end of service indemnity		3,317,960	2,777,262
		62,009,739	61,526,478
Current liabilities			
Loans, bank facilities and murabaha	20	18,622,926	18,686,515
Payables and other credit balances	21	28,120,829	28,110,588
		46,743,755	46,797,103
Total Liabilities		108,753,494	108,323,581
Total equity and liability		301,911,527	305,743,642

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

Rashed Abdulaziz Al-Rashed
Chairman

Dr. Abdul Aziz Rashid Al-Rashid
Vice 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 2018

(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Sales		96,258,770	97,256,668
Cost of sales	22	(82,445,969)	(75,918,278)
Gross profit		13,812,801	21,338,390
Other operating income	23	255,540	676,837
Selling, general and administrative expenses		(5,170,955)	(4,928,011)
Operating profit		8,897,386	17,087,216
Provision for expected credit losses	12	(506,449)	(626,740)
Finance charges		(3,046,953)	(3,398,852)
Interest income		48,345	38,469
Net investment profits	24	2,632,163	4,364,519
Group's share in associates' business results	8	435,464	711,286
Net profit before deductions		8,459,956	18,175,898
Contribution to Kuwait Foundation for the Advancement of Sciences		(76,807)	(162,024)
National Labour Support Tax		(175,486)	(452,521)
Zakat		(56,648)	(157,855)
Board of directors' remuneration		(208,000)	(208,000)
Net profit for the year		7,943,015	17,195,498
Attributable to:			
The Parent Company's shareholders		7,942,887	17,191,582
Non-controlling interests		128	3,916
Net profit for the year		7,943,015	17,195,498
Basic and diluted earnings per share (fils)	25	11.14	24.11

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 2018

(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Net profit for the year		7,943,015	17,195,498
Other comprehensive income items			
Items that may be reclassified subsequently to the consolidated statement of income:			
Available for sale financial assets:			
Change in fair value of financial assets available for sales		-	5,052,429
Transferred to consolidated statement of income from sale of available for sale financial assets		-	(1,754,559)
		-	3,297,870
Investments in associates:			
Group's share in associates' reserves	8	428,299	207,051
Differences of translation of financial statements with foreign currencies:			
Group's share in foreign currency exchange reserve		1,640	(23,630)
Items that will not reclassified subsequently to the consolidated statement of income:			
Financial assets at fair value through other comprehensive income:			
Change in fair value of financial assets at fair value through other comprehensive income		2,329,633	-
Total other comprehensive income items for the year		2,759,572	3,481,291
Total comprehensive income for the year		10,702,587	20,676,789
Attributable to:			
The Parent Company's shareholders		10,700,966	20,667,538
Non-controlling interests		1,621	9,251
		10,702,587	20,676,789

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 2018

(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Parent Company's shareholders													
	Share capital	Share premium	Treasury shares	Profits on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Other equity items	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 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
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 27)	-	-	-	-	-	-	-	-	-	-	(14,262,063)	(14,262,063)	-	(14,262,063)
Transferred to reserves	-	-	-	-	1,817,198	1,817,198	-	-	-	-	(3,634,396)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(962)	(962)
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
Balance at 31 December 2017 ("as previously stated")	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
Impact of adoption of IFRS 9 at 1 January 2018 (Note 2)	-	-	-	-	-	-	-	(599,800)	-	-	(68,653)	(668,453)	(311)	(668,764)
Balance at 1 January 2018 ("restated")	73,330,387	26,675,810	(13,497,645)	445,592	47,010,835	42,048,346	18,930,128	(26,595,263)	(203,112)	93,702	28,368,355	196,607,135	144,162	196,751,297
Net profit for the year	-	-	-	-	-	-	-	-	-	-	7,942,887	7,942,887	128	7,943,015
Total other comprehensive income items	-	-	-	-	-	-	-	1,645,302	428,299	1,627	682,851	2,758,079	1,493	2,759,572
Cash dividends (Note 27)	-	-	-	-	-	-	-	-	-	-	(14,260,811)	(14,260,811)	-	(14,260,811)
Transferred to statutory reserve	-	-	-	-	845,982	-	-	-	-	-	(845,982)	-	-	-
Purchase of treasury shares	-	-	(43,369)	-	-	-	-	-	-	-	-	(43,369)	-	(43,369)
Disposal of treasury shares	-	-	12,937	(4,183)	-	-	-	-	-	-	-	8,754	-	8,754
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(425)	(425)
Balance at 31 December 2018	73,330,387	26,675,810	(13,528,077)	441,409	47,856,817	42,048,346	18,930,128	(24,949,961)	225,187	95,329	21,887,300	193,012,675	145,358	193,158,033

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 2018

(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Cash flows from operating activities			
Net profit for the year		7,943,015	17,195,498
Adjustments:			
Depreciation and amortization		8,274,849	8,883,220
Provision for expected credit losses	12	506,449	626,740
(Profits)/losses on sale of property, plant and equipment		(7,025)	44,851
Net investment profits	24	(2,773,782)	(4,479,819)
Finance charges		3,046,953	3,398,852
Interest income		(48,345)	(38,469)
Group's share in associates' business results	8	(435,464)	(711,286)
Provision for employees' end of service indemnity		540,698	185,829
Net operating profit before working capital changes		17,047,348	25,105,416
Inventories		(1,169,406)	(1,211,478)
Receivables and other debit balances		1,135,617	(1,966,303)
Financial assets at fair value through statement of income		-	819,089
Payables and other credit balances		(152,721)	1,758,322
Net cash generated from operating activities		16,860,838	24,505,046
Cash flows from investing activities			
Paid for purchase of property, plant and equipment		(5,051,906)	(5,446,315)
Proceeds from sale of property, plant and equipment		38,326	109,014
Paid for purchase of intangible assets		-	(14,900)
Paid for purchase of available for sale financial assets		-	(3,671,490)
Paid for purchase of financial assets at fair value through other comprehensive income		(2,314,467)	-
Proceeds on sale of available for sale financial assets		-	4,314,496
Proceed from sale of financial assets at fair value through other comprehensive income		2,176,985	-
Dividend received		3,537,337	1,027,214
Interest income received		48,345	38,469
Net cash used in investment activities		(1,565,380)	(3,643,512)
Cash flow from financing activities			
Withdrawn from loans, bank facilities and murabaha		13,998,000	15,252,443
Paid for loans, bank facilities and murabaha		(14,153,944)	(20,018,981)
Finance charges paid		(3,021,146)	(3,398,852)
Dividend payments		(14,088,097)	(14,237,980)
Paid for purchase of treasury shares		(43,369)	-
Proceed from sale of treasury shares		8,754	-
Net change in non-controlling interests		(425)	(962)
Net cash used in financing activities		(17,300,227)	(22,404,332)
Net change in cash and cash equivalents		(2,004,769)	(1,542,798)
Cash and cash equivalents at beginning of the year		11,413,617	12,956,415
Cash and cash equivalents at the end of the year	14	9,408,848	11,413,617

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. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
3. Construction of factories and laboratories needed for achieving the Parent Company's objectives.
4. Dealing in all types of products, materials, tools and machinery relating to the Parent Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
5. 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.
6. Utilizing the financial surpluses of the Parent Company by investing and developing them locally and globally in financial and real estate portfolios of different types and purposes.
7. Investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds, inside and outside the State of Kuwait.

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	Principal Activity	Country of Incorporation	Percentage of ownership (%) 2018	2017
Shuwaikh Cement Company	K.S.C.C.	Industrial	State of Kuwait	99.250	99.250
Amwaj Real Estate Company	K.S.C.C.	Real Estate	State of Kuwait	96.000	96.000
Kuwait Cement Ready-mix Company	K.S.C.C.	Industrial	State of Kuwait	99.844	99.844

The consolidated financial statements were prepared using the audited financial statements of subsidiaries as at 31 December 2018.

The subsidiaries' total assets amounted to KD 42,020,075 as at 31 December 2018 (31 December 2017: KD 38,791,337) and their net losses amounted to KD 91,976 for the year ended 31 December 2018 (Net profits of KD 1,262,174 for the year ended 31 December 2017).

The consolidated financial statements for the year ended on 31 December 2018 were authorized for issue by the board of directors of the Parent Company on 19 March 2019 and are subject to the approval of the general assembly of shareholders.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and applicable requirements of the Companies Law.

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

a) New standards, interpretations and amendments effective from 1 January 2018

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes resulted from implementation of the following new and amended International Financial Reporting Standards as at 1 January 2018:

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
These amendments become 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.

The application of these amendments did not have any material impact on the Group.

Amendments to IFRS 4: Insurance Contracts (Applying IFRS 9: Financial instruments)
These amendments become effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new IFRS 9 (Financial instruments), before implementing IFRS 17, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The application of these amendments did not have any material impact on the Group.

IFRS 9: Financial Instruments
This standard becomes effective for annual periods beginning on or after 1 January 2018 and replaces the existing guidance in IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 specifies how the 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.

For the initial application of IFRS 9 and its effects, kindly refer to Note (2 - C) below.

IFRS 15 - Revenue from contracts with customers
The standard is effective for annual periods beginning on or after 1 January 2018, and establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

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

For the initial application of IFRS 15 and its effects, kindly refer to Note (2 - C).

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 interpretations did not have any material impact on the Group.

Amendments to IAS 40: Investment Property - Transfers of Investment Property
The amendments become 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 intention for the use of a property does not provide evidence of a change in use.

The application of these amendments did not have any material impact on the Group.

Annual Improvements to IFRSs 2014 – 2016 Cycle:

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.

The application of these amendments did not have any material impact on the Group.

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 applied by the Group:

IFRS 16 - Leases
This standard will be 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 a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The new standard does not significantly change the lease accounting approach for the lessors. Early application is permitted, provided that IFRS 15 is applied on the same date.

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 be 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 specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

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

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

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

Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures
The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The amendments clarify that the entity applies IFRS 9 to long-term investments in the associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term investments). This classification is relevant because it implies that ECL model in IFRS 9 applies to such long-term investments.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, which are recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28: Investments in Associates and Joint Ventures.

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

Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 2017):

IFRS 3 - Business combinations
The amendments apply to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The amendments clarify that, obtaining control of a business that is a joint operation is a business combination achieved in stages, including measuring previously held investments in assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its previously held interest in the joint operations.

IFRS 11 - Joint arrangements
The amendments apply to transactions in which it obtains joint control on or after the first annual reporting period beginning on or after 1 January 2019, with early application permitted. A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

IAS 23 - Borrowing Costs
These amendments will become effective for annual periods beginning on or after 1 January 2019, with early application permitted. The amendments clarify that the Group treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The Group applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the Group first applies those amendments.

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

c) Application of new standards effective from 1 January 2018

The Group has initially adopted IFRS 9 "Financial Instruments" (see (A) below) and IFRS 15 "Revenue from Contracts with Customers" (see B below) from 1 January 2018 as follows:

a. IFRS 9: Financial Instruments
IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact of transition to IFRS 9 on equity (for a description of the transition method, see note below).

	Notes	Impact of adoption of IFRS 9
Change of fair value reserve	19	599,800
Provision for expected credit losses	12	(199,444)
Investments in associates	8	(469,320)
Accumulated losses (Net)		(68,964)

i. Classification and measurement of the financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale financial assets.

The adoption of IFRS 9 has not had a significant impact on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

Under IFRS 9, on initial application, the financial asset is classified as measured at amortised cost, fair value through other comprehensive income – debt investments, fair value through other comprehensive income, equity investments or fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table and accompanying notes show reconciliation of the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for each category of financial assets and financial liabilities of the Group as at 1 January 2018:

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impact of adoption of IFRS 9
Financial assets						
Cash and cash equivalents		Loans and receivables	Amoritsed cost	11,413,617	11,413,617	-
Financial assets at fair value through statement of income - equity shares	a)	Fair value through profit or loss	Fair value through other comprehensive income - Equity instruments	8,827,808	9,427,608	599,800
Receivables and other debit balances (excluding prepayments)	b)	Loans and receivables	Amoritsed cost	34,752,488	34,553,044	(199,444)
Available for sale financial assets - equity shares	c)	Available for sale financial assets	Fair value through other comprehensive income - Equity instruments	55,022,845	55,022,845	-
Total financial assets				110,016,758	110,417,114	400,356

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impact of adoption of IFRS 9
Financial liabilities						
Loans, bank facilities and murabaha		Amoritsed cost	Amoritsed cost	77,435,731	77,435,731	-
Payables and other credit balances (excluding advance payments received)		Amoritsed cost	Amoritsed cost	27,363,261	27,363,261	-
Total financial liabilities				104,798,992	104,798,992	-

a) Under IAS 39, these equity securities were designated as at fair value through profit or loss because they were managed on a fair value basis and their performance was monitored on this basis. As at 1 January 2018, and as a result of the adoption of IFRS 9, the management issued irrevocable decision recognizing the changes in fair value through other comprehensive income other than fair value through profit or loss as it is strategic investments. Such changes are more relevant to other comprehensive income as deemed by the Group.

b) Accounts receivable and other debit balances that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 199,444 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9. There are no accounts receivable and other debit balances were recognised at 1 January 2018 on the adoption of IFRS 15.

c) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at fair value through other comprehensive income. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

ii. Impairment of Financial Assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

	Amount
Loss allowance as at 1 January 2018	
Additional impairment recognised at 1 January 2018 on:	
Receivables and other debit balances (Note 12)	199,444

iii. Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income.

b. IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The Group's adoption of IFRS 15 on 1 January 2018 has not resulted in any significant impact on the Group's financial statements as at 31 December 2017 and the consolidated financial statements for the year ended 31 December 2018, where most of the Group's revenues that fall within the scope of IFRS 15 are represented in:

Sales of goods
Revenues of the Group are recognised from sale of goods typically on delivery of the goods, and issuance of the invoice to customers.

The Group's other income types are mainly represented in net investment profits and rental income that fall outside the scope of IFRS 15.

3. Significant accounting policies

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 reassesses 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 interests. 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 policies.

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 statement of other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and 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 statement of 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 statement of other comprehensive income 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.

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.

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 or 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.

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 Group, 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 lives 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.

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 net recoverable amount is determined at 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 year in which they arise. When an impairment is written back, the impairment is reversed to the extent of net carrying amount of the asset if no impairment was recognised. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

3.6 Financial instruments

3.6.1 Financial assets

The Group has adopted IFRS 9: Financial Instruments, issued in July 2014, for the first time on 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard introduces significant changes to the methods of accounting for financial assets and to certain aspects of accounting for the financial liabilities.

Initial recognition and measurement

i. Classification of financial assets:

Financial assets carried at amortised cost
A financial asset is measured at amortised cost if both of the following conditions are met and is not designated at fair value through profit or loss:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investment at fair value through other comprehensive income
A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investment at fair value through other comprehensive income
On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Equity investment at Fair value through profit or loss
All financial assets, other than those classified as financial assets measured at amortised cost or fair value through other comprehensive income as described above, are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as financial asset recognized at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognized at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interests or dividends income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The Group does not have financial assets at fair value through profit or loss and debt investments at fair value through other comprehensive income.

ii. Impairment of Financial Assets

IFRS 9 requires the Group to make provision for ECL for all debt instruments, which are not carried at fair value through profit or loss.

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

If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment loss of the financial assets carried at amortised cost is reversed at the subsequent periods. (see Note 2.C.2).

The financial assets at amortised cost consist of receivables and other debit balances and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities, bank balances, and term deposits (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure; using the simplified approach, loss allowances for receivables and other debit balances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due except for the contractual retention.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables and other debit balances, including contract assets, are presented separately in consolidated statement of income.

Cash and cash equivalents
Cash and cash equivalents item comprises of current accounts at banks and term deposits mature within three months from the date of deposit, cash on hand, and cash with investment portfolios.

Receivables and other debit balances
Note (4) provides further detail about the calculation of ECLs related to receivables, related parties, and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past 3-5 years. The Group performed the calculation of ECL rates for its customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

3.6.2 Financial liabilities

Initial recognition and measurement
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or loans. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value Borrowings are recognized initially at fair value, net of transactions cost incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In that case, fees shall be posted until the withdrawal is carried out.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Classification and subsequent measurement
The Group's financial liabilities include borrowings, bank facilities, murabaha, payables and other credit balances.

Loans, bank facilities and murabaha
Loans, bank facilities, and murabaha are initially recognised at fair value, net of transaction costs incurred, then subsequently measured at amortised cost using the effective interest rate method.Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings and credit facilities using the effective interest rate method.

Payables and other credit balances
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Payables and other credit balances are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

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

3.6.3 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.

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.

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 non-Kuwaiti employees 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 Group's liability.

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.

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.

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 Company 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 profits 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.

3.12 Revenue recognition

IFRS No. (15) defines revenues as "income from ordinary business activities" and a five-step accounting model for revenue arising from contracts with customers is developed. Revenue recognition requires recording the amount that reflects the consideration that the Group expects to be entitled in exchange for sale of goods or performance of services to the customers.

The model's five steps are as follows:

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

IFRS 15 requires companies to consider the opinions, taking into account all relevant facts and circumstances in the process of applying each step of the model to contracts with their customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Prior to the application of IFRS 15, the Group recognized revenues at the fair value of consideration received or receivable when the goods are sold or services are rendered in the ordinary course of business of the Group net of returns, rebates and discounts. Also, the Group recognizes revenues when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Under IFRS No. (15), revenue is recognized either at a specific time or over a period of time, when (or as) the Group meets the performance obligations by selling the goods or performing the agreed upon services to its customers. The Group shall transfer control of goods or services over a period of time (and not at a specific time) upon fulfillment of any of the following criteria:

- The customer receives and consumes the benefits provided through the Group performance at the same time when the Group provided the performance, or
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced, or
- The Group's performance does not establish an asset that has an alternative usage to the Group. The Group has enforceable right in payments against the completed performance to date.

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Group whether or not control is transferred:

- The Group shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Group shall transfer the physical possession to the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

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

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

Group's revenue streams arise from the following activities:

Sale of goods
Revenue from sale of goods is recognized when the control over the goods is transferred to the customer. Control is transferred at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer. This represents the point at which the right to collect outstanding receivables becomes unconditional, i.e. such amounts are due directly when the purchase is made.

Dividends income
Dividends income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized on time proportion basis using the effective interest method.

Leases
Rental income on operating leases is recognised over the term of the lease on a straight-line basis.

Other income and expenses
Other income and expenses are recognized on accrual basis.

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.

3.14 Accounting for leases

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.

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.

4. Risk management and fair value estimation

4.1 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.

a) 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:

	2018	2017
Net positions of US Dollar	(8,257,921)	1,235,845

In case the US Dollar decreases / increases at 5% against the Kuwait Dinar, while all other variables are held constant, the Group's net profit will increase / decrease of KD 412,896 for the year ended 31 December 2018 (31 December 2017: KD 61,792).

Price risk
The Group is exposed to price risk through its investments classified in the consolidated financial statements as financial assets at fair value through other comprehensive income or financial investments at fair value through statement of income.

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	
	2018	2017	2018	2017
Financial assets at fair value through other comprehensive income	-	-	2,526,988	-
Available for sale financial assets	-	-	-	2,364,573
Financial assets at fair value through statement of income	-	51,030	-	-

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 2018, if the interest rate on US Dollar borrowings, bank facilities, and murabaha had been at 0.20% higher, with all other variables held constant, net profits for the year would have been lower of KD 10,599 (31 December 2017: KD 10,551).

b) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of the debit balances on an ongoing basis. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, debit balances are monitored on an ongoing basis. Accordingly, the Group's exposure to bad debts is insignificant.

Maximum exposure to credit risk
The Group's exposure to credit risk from bank balances and debit balances arises from default of the counterparty. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in the value. The maximum exposure to credit risk is the carrying amount of the financial assets, which is stated in the consolidated statement of financial position.

Risk of impairment of financial assets
Financial assets exposed to impairment include "receivables and other debit balances", cash at banks" and "cash with investment portfolios".

Receivables and other debit balances
The Group adopts the simplifies approach in accordance with IFRS 9 to measure ECLs through using provision for ECLs based on the period of ECLs for all trade receivables.

Trade receivables are consolidated based on characterizations of the mutual credit risk and its maturity in order to measure ECLs. Accordingly, the Group's management believes that ECLs rate on trade receivables represent a reasonable approximation of actual results of customer default in the subsequent periods.

On this basis, the provision for ECLs on trade receivables as at 31 December 2018 (on the impact of the application of IFRS 9) has been determined as follows:

31 December 2018:

Ageing of receivables	Trade receivables	Percentage of the expected default	Provision for impairment losses
	KD		KD
Less than 30 days	14,727,318	1.34%	197,399
From 30 to 60 days	7,013,537	2.13%	149,039
From 61 to 90 days	4,190,409	4.49%	188,254
91 to 180 days	2,736,340	17.80%	486,987
More than 180 days	5,404,055	35.30%	1,907,472
	34,071,659		2,929,151

As at 1 January 2018, the Group recognised an additional allowance for ECLs of KD 199,444 as a result of application of IFRS 9 (Note 2- C, A, ii).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators include lack of a reasonable expectation of recovery, among other matters, e.g. the failure of the customer to subscribe to a payment plan with the group and lack to make contractual payments for more than 365 days.

While other receivables are also subject to the requirements of ECLs in IFRS 9, the impairment loss is insignificant.

Cash and cash equivalents
Cash and cash equivalents are also subject to the requirements of ECLs in IFRS 9, Cash is placed with high credit rating financial institutions and investment portfolios. Therefore, the Group's management believes that the impairment loss of cash and cash equivalents is insignificant.

Credit risk exposure
The book values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk for assets categories at the reporting date was as follows:

	2018	2017
	KD	KD
Cash at banks	8,960,485	10,002,412
Cash at investment portfolios	372,359	336,326
Bank deposits	-	1,003,662
Receivables and other debit balances (excluding prepaid expenses)	32,993,630	34,752,488
	42,326,474	46,094,888

c) 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:

	2018		
	Within one year	More than one up to three years	More than three years
Loans, bank facilities and murabaha	19,058,043	49,562,268	15,344,217
Payables and other credit balances	28,120,829	-	-

	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	-	-

4.2 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:

	2018	**2017**
Total loans, bank facilities and murabaha	77,314,705	77,435,731
(Less): Cash and cash equivalents	(9,408,848)	(11,413,617)
Net debt	67,905,857	66,022,114
Total equity attributable to shareholders of the Parent Company	193,012,675	197,275,588
Total capital	260,918,532	263,297,702
Net debt to total capital ratio (%)	26.03	25.08

4.3 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:

Financial assets	Fair value As at 31 December 2018	Fair value As at 31 December 2017	Fair value level	Valuation techniques and key inputs	Significant observable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income:						
Quoted shares	49,560,141	-	First	Last bid price	None	None
Funds and portfolios	11,435,703	-	Second	Net asset value	None	None
Local shares	5,321,850	-	Third	Based on the latest available financial statements or on the basis of the last transaction	None	None
Financial assets at fair value through statement of income:						
Local shares	-	673,311	Third	Based on the latest available financial statements or on the basis of the last transaction	None	None
Local Funds	-	347,290	Second	Net asset value	None	None
Foreign investments	-	7,807,207	Second	Net asset value	None	None
Available for sale financial assets:						
Quoted shares	-	47,291,462	First	Last bid price	None	None
Foreign Funds	-	2,730,374	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 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Receivables and other debit balances (excluding prepayments)	32,993,630	32,993,630	34,752,488	34,752,488
Financial liabilities				
Loans, bank facilities and murabaha	77,314,705	77,314,705	77,435,731	77,435,731
Payables and other credit balances (excluding advance payments received)	27,328,893	27,328,893	27,363,261	27,363,261
Total	104,643,598	104,643,598	104,798,992	104,798,992

	Fair value hierarchy at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Receivables and other debit balances (excluding prepayments)	-	-	32,993,630	32,993,630
Financial liabilities				
Loans, bank facilities and murabaha	-	-	77,314,705	77,314,705
Payables and other credit balances (excluding advance payments received)	-	-	27,328,893	27,328,893
Total	-	-	104,643,598	104,643,598

	Fair value hierarchy at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Receivables and other debit balances (excluding prepayments)	-	-	34,752,488	34,752,488
Financial liabilities				
Loans, bank facilities and murabaha	-	-	77,435,731	77,435,731
Payables and other credit balances (excluding advance payments received)	-	-	27,363,261	27,363,261
Total	-	-	104,798,992	104,798,992

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

5. 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.

Fair value measurement and valuation techniques

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 4.3.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and the policy of revenue recognition disclosed in Note No. (3.12) require significant judgments.

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.

Provision for expected credit losses of receivables

The Group uses a provision matrix to calculate ECLs of receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs of the Group's receivables is disclosed in (Note 4).

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.

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 estimation.

Impairment of tangible 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.

6. Property, plant and equipment

	Land and buildings	Machinery and equipment	Motor vehicles, computers & furniture	Projects in Progress	Total
Cost					
At 1 January 2017	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
Additions	626,026	2,013,692	1,939,442	472,746	5,051,906
Transfers	808,115	45,970	340,932	(1,195,017)	-
Disposals	-	(1,048)	(88,744)	-	(89,792)
At 31 December 2018	55,476,271	206,413,378	17,575,754	3,422,788	282,888,191
Accumulated depreciation					
At 1 January 2017	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
Charge for the year	1,642,038	5,324,443	1,243,228	-	8,209,709
Disposals	-	(813)	(57,678)	-	(58,491)
Exchange differences	(413)	(550)	(110)	-	(1,073)
At 31 December 2018	27,950,256	91,537,736	6,464,041	-	125,952,033
Net carrying value					
At 31 December 2017	27,733,499	118,140,108	10,105,523	4,145,059	160,124,189
At 31 December 2018	27,526,015	114,875,642	11,111,713	3,422,788	156,936,158

- 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:

	2018	2017
Cost of sales	8,111,384	8,749,825
Selling, general and administrative expenses	98,325	72,162
	8,209,709	8,821,987

7. Investment properties

	2018	2017
Cost		
As at 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As at 1 January	1,195,088	1,171,076
Charge for the year	24,015	24,012
As at 31 December	1,219,103	1,195,088
Carrying value	770,641	794,656

Fair value of the Group's investment properties was reached to as at 31 December 2018 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 2018	Fair value 2017
Investment properties	3,705,000	3,705,000	3,705,000

There have been no transfers between levels during the year.

8. Investments in associates

Name of the associate	Country of incorporation	Voting rights and ownership percentage %	Carrying value 2018	Carrying value 2017	Measurement method
Kuwait Rocks Co. (K.S.C.C.) - (Under Liquidation)	State of Kuwait	30.00	-	-	Equity
Marine Contracting and Services Co. K.S.C. (Public)	State of Kuwait	33.39	16,258,955	16,628,067	Equity
			16,258,955	16,628,067	

Movement on investment in associates was as follows:

	2018	2017
Balance at 1 January	16,628,067	15,709,730
Impact of adoption of IFRS 9 (Note 2 - C, a)	(469,320)	-
Group's share in associates' business results	435,464	711,286
Group's share in associates' reserves	428,299	207,051
Cash dividends received	(763,555)	-
Balance at 31 December	16,258,955	16,628,067

The Parent Company's management carried out a study to determine whether there is any indication that the investment in Marine Contracting and Services Co. K.S.C. (Public) 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:

	2018	2017
Available financial statements	Unaudited financial statements for the period ended 30 September	Unaudited financial statements for the period ended 30 September
Assets	378,547,591	400,013,804
Liabilities	282,437,261	301,958,779
Non-controlling interests	47,419,597	48,258,911
Revenues	127,229,796	99,626,919
Profit for the period	1,304,083	2,130,089
Other comprehensive income items for the period	2,435,729	620,057
Total comprehensive income	3,739,812	2,750,146

9. Financial assets at fair value through other comprehensive income

	2018	2017
Quoted securities	49,560,141	-
Unquoted securities	5,321,850	-
Funds and portfolios	11,435,703	-
	66,317,694	-

The fair value of financial assets at fair value through other comprehensive income was determined based on valuation levels mentioned in Note (4.3).

The quoted financial assets include financial assets of KD 21,439,351 as at 31 December 2018 in the shares of National Industries Group Holding K.S.C. (Public), which is one of the major shareholders in the Group (31 December 2017: KD Nil).

An analysis of the Group's financial assets at fair value through other comprehensive income along with currencies as at 31 December:

	2018	2017
KD	54,561,524	-
USD	11,071,880	-
Euro	176,066	-
GBP	508,224	-
	66,317,694	-

10. Available for sale financial assets

	2018	2017
Quoted shares	-	47,291,462
Unquoted shares	-	5,001,009
Foreign Funds	-	2,730,374
	-	55,022,845

As at 1 January 2018, the Group applied IFRS 9. Accordingly, it has reclassified available for sale financial assets at carrying value of KD 55,022,845 to financial assets at fair value through other comprehensive income.

The quoted investments include investments of KD Nil as at 31 December 2018 in shares of National Industries Group Holding K.S.C. (Public), which is one of the major shareholders in the Group (31 December 2017: KD 20,353,814).

11. Inventories

	2018	2017
Raw materials	18,108,576	16,904,918
Finished goods	640,179	674,431
	18,748,755	17,579,349

12. Receivables and other debit balances

	2018	2017
Amounts under collection at banks	997,023	917,353
Receivables against unconditional bank guarantees	541,789	4,466,633
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	1,366,559	5,922,640
Related parties (Note 28)	1,778,324	1,170,507
Other trade receivables	27,599,246	22,379,026
Total trade receivables	32,282,941	34,856,159
Other receivables	1,788,718	1,682,006
	34,071,659	36,538,165
Provision for expected credit losses	(2,929,151)	(3,636,236)
	31,142,508	32,901,929
Prepaid expenses	407,377	490,029
Notes receivables	1,851,122	1,850,559
	33,401,007	35,242,517

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 4,322,872 as at 31 December 2018 (31 December 2017: KD 5,323,160).

Impaired and fully provided for receivables amounted to KD 2,929,151 as at 31 December 2018 (31 December 2017: KD 3,636,236).

The following is the movement on the provision for ECLs:

	2018	2017
Balance at beginning of the year	3,636,236	3,098,264
Impact of application of IFRS 9 (Note 2 - C, a (ii))	199,444	-
Charged during the year	506,449	626,740
Bad debts during the year	(1,412,978)	(85,170)
Exchange differences	-	(3,598)
Balance at end of the year	2,929,151	3,636,236

13. Financial assets at fair value through statement of income

	2018	2017
Local investments	-	1,020,601
Foreign investments	-	7,807,207
	-	8,827,808

As at 1 January 2018, the Group adopted IFRS 9. Accordingly, it has reclassified financial assets at fair value through statement of income with carrying value of KD 8,827,808 to financial assets at fair value through other comprehensive income (Note 2 - c, a (i)).

14. Cash and cash equivalents

	2018	2017
Cash on hand and at bank	9,036,489	10,073,629
Cash at investment portfolios	372,359	336,326
Bank deposits	-	1,003,662
	9,408,848	11,413,617

The average effective annual interest rate on banks deposits was 1.5% as at 31 December 2018 (31 December 2017: 1.5%).

15. 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 2018 / 2017, each of a nominal value of 100 fils. All shares are cash shares.

16. Treasury shares

	2018	2017
Number of shares (share)	20,279,179	20,200,729
Percentage of issued shares (%)	2.77	2.75
Market value (KD)	7,685,809	9,474,142

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.

17. Statutory reserve

In accordance with the Companies' law and 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.

18. 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's board of directors proposed to discontinue the transfer. Such proposal is subject to approval of the shareholders' general assembly. There are no restrictions on the distribution of this reserve.

19. Other equity items

	Fair value reserve from financial assets at fair value through other comprehensive income	Change of fair value reserve	Total
At 1 January 2017	-	(29,287,828)	(29,287,828)
Total other comprehensive income for the year	-	3,292,365	3,292,365
At 31 December 2017	-	(25,995,463)	(25,995,463)
At 31 December 2017 ("as previously stated")	-	(25,995,463)	(25,995,463)
Impact of adoption of IFRS 9 (Note 2 - C, a (i))	(26,595,263)	25,995,463	(599,800)
At 1 January 2018 ("restated")	(26,595,263)	-	(26,595,263)
Total other comprehensive income for the year	1,645,302	-	1,645,302
At 31 December 2018	(24,949,961)	-	(24,949,961)

20. Loans, bank facilities and murabaha

	2018	2017
Non-current portion		
Loans and borrowings	21,290,000	28,930,000
Murabaha	37,401,779	29,819,216
	58,691,779	58,749,216
Current portion		
Loans and borrowings	8,890,000	6,811,973
Murabaha	9,732,926	11,874,542
	18,622,926	18,686,515
Total loans, bank facilities and murabaha	77,314,705	77,435,731

The average effective annual interest rate on loans, bank facilities and murabaha was 3.500% as at 31 December 2018 (31 December 2017: 3.625%).

Certain loans are secured by the whole official location and extensions of the Company's factory with carrying value of KD 11,113,006 as at 31 December 2018 (31 December 2017: KD 12,481,819).

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 (1.5:1) 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 (1:12) and the ratio of operating profit to interests not be less than (1:1) 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:

	2018	2017
KD	72,015,121	72,160,470
USD	5,299,584	5,275,261
	77,314,705	77,435,731

21. Payables and other credit balances

	2018	2017
Suppliers	21,179,749	20,976,523
Retentions	48,927	567,201
Accrued interest and expenses	3,119,259	2,961,732
Notes payable	1,620,789	1,165,399
Clients - advance payments	791,936	747,327
Payable cash dividends	868,724	696,010
Contribution to Kuwait Foundation for the Advancement of Sciences	242,179	361,181
National Labour Support Tax	175,486	452,521
Zakat	63,260	172,293
Other	10,520	10,401
	28,120,829	28,110,588

22. Cost of sales

	2018	2017
Cost of raw materials	69,389,480	62,894,397
Change in finish goods	41,932	(78,721)
Maintenance and spare parts	4,990,580	4,215,766
Salaries and benefits	4,954,373	4,705,113
Depreciations and amortizations	1,942,631	2,614,856
Rent	353,350	654,937
Other	773,623	911,930
	82,445,969	75,918,278

23. Other operating income

	2018	2017
Net income from investment properties	120,428	97,974
Net (losses) / profits from exchange differences	(5,508)	49,875
Other income	140,620	528,988
	255,540	676,837

24. Net investment profits

	2018	2017
Financial assets at fair value through statement of income:		
Unrealised profits	-	1,089,911
Realized gains	-	402,751
Cash dividends	-	34,101
	-	1,526,763
Available for sale financial assets:		
Impairment	-	(19,719)
Realized gains	-	1,979,662
Cash dividends	-	993,113
Portfolio management fees	-	(115,300)
	-	2,837,756
Financial assets at fair value through other comprehensive income:		
Cash dividends	2,773,782	-
Portfolio management fees	(141,619)	-
	2,632,163	-
	2,632,163	4,364,519

25. 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:

	2018	2017
Net profit for the year attributable to shareholders of the Parent Company	7,942,887	17,191,582
Weighted average number of outstanding shares during the year (share)	713,041,843	713,103,141
Basic and diluted earnings per share (fils)	11.14	24.11

26. 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 2018 is KD 12,548,745 (31 December 2017: KD 12,101,774).

27. Dividends

On 25 April 2018, the general assembly of shareholders approved cash dividends of 20 fils per share of the paid share capital after deducting treasury shares for 2017 (2016: 20 fils).

On 19 March 2019, the Parent Company's Board of Directors proposed to distribute cash dividends at 15 fils per share after deducting treasury shares from the paid up capital for year 2018.

28. 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 2018. 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:

	2018	2017
Balances		
Receivables and other debit balances (Note 12)	1,778,324	1,170,507
Provision for employees' end of service indemnity	603,274	489,577
Transactions		
Sales	3,906,969	2,845,893
Board of directors' remuneration	208,000	208,000
Committees' fees	150,000	150,000
Senior management salaries and benefits	891,499	902,745

All transactions with related parties are subject to the approval of the shareholders' general assembly.

29. Contingent liabilities and capital commitments

	2018	2017
Contingent liabilities		
Letters of guarantee	581,133	573,633
Capital commitments		
Letters of credit	1,715,505	1,848,583
Uncalled subscription relating to investments in funds	321,972	321,972
Contracts for importing raw materials	5,652,629	16,288,435
Projects in Progress	678,693	681,635

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.

30. 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:

	2018		
	Manufacturing sector	**Investment sector**	**Total**
Segments revenues	96,399,390	3,188,056	99,587,446
Gross segments profit	8,270,508	3,188,056	11,458,564
Segments assets	218,191,878	83,719,649	301,911,527

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

	2018	**2017**
Adjustments:		
Total segments profit	11,458,564	21,536,281
Finance charges	(3,046,953)	(3,398,852)
Interest income	48,345	38,469
Net segments profit before deductions	8,459,956	18,175,898

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

	2018		
	Revenues	**Assets**	**Liabilities**
Inside Kuwait	96,282,702	283,909,116	105,650,539
Outside Kuwait	3,304,744	18,002,411	3,102,955
	99,587,446	301,911,527	108,753,494

	2017		
	Revenues	**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