Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary
State of Kuwait

Consolidated financial statements and independent auditor's report

For the year ended 31 December 2018

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Independent Auditor's Report
To the shareholders of Kuwait Portland Cement Co. 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 Portland Cement Co. K.P.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of income, income and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its consolidated financial performance and cash flows for the 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 auditor's responsibilities for the audit of the consolidated financial statements section of this report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with 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 Group for 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 matters as key audit matters that shall be disclosed in our report.

Key Audit Matters	How our audit addressed the matter
Impairment of Tangible Assets Management carried out annual test to determine recoverable amount of tangible assets of the Group. Impairment of tangible assets test was considered as key audit matter due to complexity of accounting requirements and the need to significant judgment to determine estimates required to be used to determine recoverable amount of such assets. Recoverable amount of tangible assets depends on the higher of fair value less costs to sell and value in use. It was calculated under estimated cash flow discount model. This model uses number of main estimates, including determining volume of future sales, growth in revenues, operating costs, and growth rates of final value and discount rate. This test was not resulted in recognition of any impairment loss.	Our performed audit procedures included, among other procedures, the following: • We used our expert, where appropriate, to assist in valuation of appropriateness of discount rates used by the Group, as well as valuation of other standards used in this test. • We valuated appropriateness of main estimates used as principal inputs in estimation, such as volume of sales, revenue growth rates and operating costs. Our valuation of such inputs included comparing them to external related information. Further, we performed our valuation and judgment on appropriateness of estimates based on our information and previous experience with the Group and its industry sector. • We carried out sensitivity analysis, it included valuation of effect of potential decreases in growth rates and expectations for cash flows in order to valuate the expected impact on estimated usage value. • We valuated appropriateness of disclosures on tangible assets recorded in the consolidated financial statements to achieve requirements of IFRS.

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Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the matter (continued)
Credit Losses for Receivables	
Management carries out an assessment of trade receivables and possibilities of their collection at date of the consolidated financial statements. The Group Reviews the main material receivable balances separately to determine whether there are indicators of credit losses. Trade receivable balances assessed on 31 December 2018 are KD 29,081,428. Management concluded that the currently retained amount for their impairment of KD 3,113,921 is sufficient to cover the expected credit losses from receivables. Cash collections in subsequent period from trade receivable balances reached KD 9,608,238. These collections represent 36% of total receivable balances.	Our performed audit procedures included, among other procedures, the following: • Our audit focused on inspection of aging of receivables to determine retained and obsolete trade receivable balances. • We have verified statements and information provided to us by management that have been used in assessing the trade receivable balances. • We have reviewed assumptions and information of the management to determine their reasonableness and reliability in determining impairment measurement. • We have verified that total obsolete retained receivable balances (only those impaired) is not more than the amount currently recognized for credit losses. • We have verified conditions of recognizing credit sales resulted in trade receivable balances in the consolidated financial statements as per IFRS requirements. • We have ensured adequacy of disclosures on receivables mentioned in notes of the financial statements to achieve requirements of IFRS. • We have reviewed subsequent collections from trade receivable balances during the subsequent period.
Making provisions for obligations that are possible to lead to losses	
Management assessed the need to retain additional provisions as per rules of IAS 37: provisions, contingent commitments and contingent assets. Management considered technical aspects that when happened, the provision shall be recognized as a liability in the consolidated statement of financial position, and other cases where they are just clarified within contingent commitments and not recognized. The Group recognizes provisions if the case represents a current commitment and it is possible that sources will flow out representing economic benefits required for settlement of the commitment. The Group recognized in the consolidated statement of financial position, in previous financial years, other provisions resulted from lawsuits with government parties representing differences in rent claimed by such bodies. Amount of such provisions for this financial year has been increased with KD 420,000.	Our performed audit procedures included, among other procedures, the following: • Our audit focused on verifying reasonableness of estimates made by management as per the procedures defined for auditing the estimates in the International Standards on Auditing. • We have verified validity and availability of recognition conditions of provisions as per rules of IAS 37: provisions, contingent commitments and contingent assets. • We have assessed reasonableness of assumptions and bases depended upon by management in estimating such provisions. • We have ensured application of such bases and assumptions in estimating amount of the required provisions fulfilling the technical conditions required by IFRS. • We valuated appropriateness of disclosures on the provisions recorded in the consolidated financial statements to achieve disclosure requirements required by IFRS.

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 the independent auditor report thereon) and the Group's annual report. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed concerning the other information we received before date of the independent auditor's 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

The 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 the 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 consolidated financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report (Continued)

Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

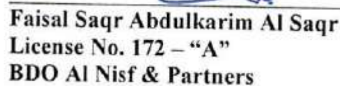
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely 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 related key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, 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, or of the Parent Company's memorandum of incorporation and articles of association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business or the consolidated financial position of the Group.



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

Kuwait: 14 February 2019

Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary
State of Kuwait

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 KD	2017 KD
Assets			
Non-current assets			
Property, plant and equipment	5	6,103,293	6,157,461
Available for sale financial assets	6	-	17,453,070
Financial assets at fair value through other comprehensive income	7	16,036,084	-
		22,139,377	23,610,531
Current assets			
Trade and other receivables	8	26,585,758	32,395,027
Inventories	9	9,877,309	5,894,326
Financial assets at fair value through statement of income	10	21,690,756	19,910,144
Cash and cash equivalents	11	11,345,017	13,623,925
		69,498,840	71,823,422
Total assets		91,638,217	95,433,953
Equity and liabilities			
Equity			
Share Capital	12	10,022,196	10,022,196
Statutory reserve	13	10,022,196	10,022,196
Voluntary reserve	14	10,022,196	10,022,196
General reserve		2,500,000	2,500,000
Treasury shares reserve		544,943	544,943
Change in fair value reserve		7,281,074	5,149,764
Retained earnings		28,092,466	30,229,150
Total equity		68,485,071	68,490,445
Non-current liabilities			
Other provisions	15	2,144,449	1,724,449
Provision for employees' end of service indemnity	16	4,376,397	3,730,258
		6,520,846	5,454,707
Current liabilities			
Trade and other payables	17	16,183,706	20,863,003
Dividends payable		448,594	625,798
		16,632,300	21,488,801
Total liabilities		23,153,146	26,943,508
Total equity and liabilities		91,638,217	95,433,953

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

Ali A. Alomar
Vice Chairman

Khalifa Hamoud Al Ghanim
CEO and Board Member

Kuwait Portland Cement Co. K.S.C.P. and its Subsidiary
State of Kuwait

Consolidated Statement of Income

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
Income			
Sales		105,939,216	85,699,880
Cost of sales		(97,060,207)	(77,190,838)
Gross profit		8,879,009	8,509,042
Loss on sale of financial assets available for sale		-	(356,413)
Unrealised profits / (losses) from changes in fair value of financial assets at fair value through statement of income		2,100,651	(152,428)
(Losses) / profits on sale of financial assets at fair value through statement of income		(345,365)	1,157,775
Dividend income		1,692,266	1,437,707
Interest income		7,933	7,220
Foreign exchange differences		(2,072)	(12,405)
Other income	18	2,039,749	2,180,746
		14,372,171	12,771,244
Expenses and other charges			
General and administrative expenses		(1,800,779)	(1,020,559)
Other provisions	15	(420,000)	(120,000)
Distribution expenses		(1,138,189)	(1,746,689)
Profit for the year before KFAS, NLST, Zakat and Directors remuneration		11,013,203	9,883,996
Contribution to Kuwait Foundation for the Advancement of Sciences		(110,132)	(98,840)
National Labour Support Tax		(233,646)	(235,319)
Zakat		(93,459)	(94,127)
Board of directors' remuneration		(260,000)	(260,000)
Net profit for the year		10,315,966	9,195,710
Basic earnings per share (fils)	19	102.93	91.75

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary
State of Kuwait

Consolidated Statement of Income and Other Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	KD	KD
Net profit for the year	10,315,966	9,195,710
Other comprehensive income items:		
Items that will not be reclassified subsequently in the consolidated statement of income:		
Change in fair value of financial assets at fair value through other comprehensive income	198,636	-
Items that may be reclassified subsequently in the consolidated statement of income:		
Transferred to consolidated statement of income from sale of available for sale financial assets	-	(23,672)
Change in fair value of financial assets available for sales	-	211,560
Total other comprehensive income for the year	198,636	187,888
Total comprehensive income for the year	10,514,602	9,383,598

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary
State of Kuwait

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Treasury shares reserve KD	Change in fair value reserve KD	Retained earnings KD	Total Equity KD
Balance at 1 January 2017	10,022,196	10,022,196	10,022,196	2,500,000	544,943	4,961,876	29,051,197	67,124,604
Total comprehensive income for the year	-	-	-	-	-	187,888	9,195,710	9,383,598
Cash dividends (Note 24)	-	-	-	-	-	-	(8,017,757)	(8,017,757)
Balance at 31 December 2017	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,149,764	30,229,150	68,490,445
As at 31 December 2017 ("as previously stated")	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,149,764	30,229,150	68,490,445
Impact of adoption of IFRS 9 (Note 2)	-	-	-	-	-	-	(1,500,000)	(1,500,000)
Balance at 1 January 2018 (Restated)	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,149,764	28,729,150	66,990,445
Total comprehensive income for the period	-	-	-	-	-	198,636	10,315,966	10,514,602
Losses on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	1,932,674	(1,932,674)	-
Cash dividends (Note 24)	-	-	-	-	-	-	(9,019,976)	(9,019,976)
Balance as at 31 December 2018	10,022,196	10,022,196	10,022,196	2,500,000	544,943	7,281,074	28,092,466	68,485,071

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

Kuwait Portland Cement Co. K.P.S.C. and its Subsidiary
State of Kuwait

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
Operating activities			
Net profit for the year		10,315,966	9,195,710
Adjustments for:			
Depreciation	5	5,650,229	3,978,513
Unrealized (profits) / losses from change in fair value through statement of income		(2,100,651)	152,428
Losses / profits on sale of financial assets at fair value through statement of income		345,365	(1,157,775)
Realized losses on sale of available for sale financial assets		-	356,413
Dividend income		(1,692,266)	(1,437,707)
Profit on sale of properties, plant and equipment		(231,058)	(685,892)
Other provisions		420,000	120,000
Provision for employees' end of service indemnity - made	16	763,576	714,636
		13,471,161	11,236,326
Movements in the working capital:			
Inventories		(7,213,945)	255,310
Trade and other receivables		7,540,231	(5,816,649)
Financial assets at fair value through statement of income		(25,326)	(756,109)
Trade and other payables		(4,679,297)	10,118,286
Cash from operation		9,092,824	15,037,164
Employees' end of service indemnity - paid	16	(117,437)	(46,582)
Net cash from operating activities		8,975,387	14,990,582
INVESTING ACTIVITIES			
Paid for the acquisition of property, plant and equipment	5	(5,596,072)	(6,895,668)
Proceeds from disposal of property, plant and equipment		231,069	685,892
Change in available for sale financial assets		-	3,844,900
Financial assets at fair value through other comprehensive income		1,615,622	-
Dividend received		1,692,266	1,437,707
Net cash used in investment activities		(2,057,115)	(927,169)
Financing activities			
Dividend payments		(9,197,180)	(7,746,729)
Net cash used in financing activities		(9,197,180)	(7,746,729)
Net (decrease)/increase in cash and cash equivalents		(2,278,908)	6,316,684
Cash and cash equivalents at beginning of the year		13,623,925	7,307,241
Cash and cash equivalents at end of the year	11	11,345,017	13,623,925

The accompanying notes on pages 10 to 46 form an integral part of these consolidated financial statements.

1. General Information

Kuwait Portland Cement Company K.P.S.C. ("the Parent Company") was incorporated on 7 July 1976 in Kuwait as per memorandum of incorporation No. 966, Volume 2, and was listed in Boursa Kuwait on 1 April 1995. Last amendment to the memorandum of incorporation and articles of association of the Parent Company is dated 13 June 2017 to register the Parent Company's share capital increase through bonus shares, and to add an article concerning allowing the Company to purchase and sell its shares (treasury shares) to the extent of 10% of its issued shares at market value pursuant to provisions of executive regulations of law No. 7 of 2010 on CMA and regulation of securities industry as amended. The main activities of the Parent Company are as follows:

- Trading by import & export in bulk cement and packaging of the different types of cement.
- Constructing, operating, leasing, and renting of stores and silos necessary for the supply and distribution of the different types of cement.
- Acquisition of the means of transportation for that purpose.
- Manufacturing and marketing of ready made concrete
- Purchasing and importing raw materials, machines, and vehicles for Company purposes.
- Acquisition of movables and real estates for Company purposes.
- Utilizing the financial surpluses of the Company by investing them in portfolios by specialized companies and entities.

On 16 April 2018, the extraordinary general assembly of the Parent Company's shareholders was held and approved adding new items to the article no. (5) Of the memorandum of incorporation and to article no. (4) in article of association of the Parent Company. Such addition is as follows:

- Activity of aggregate import, trade and sale and acquisition of its equipment, means of transportation and crushers.
- Activity related to sand (Quarries) and acquisition of its equipment and means of transportation.

The address of the Parent Company's registered office is P.O. Box, 42191, Shuwaikh -70652, State of Kuwait.

The consolidated financial statements of Kuwait Portland Cement Co K.P.S.C and its subsidiary for the year ended 31 December 2018 were approved and authorized for issue by the Parent Company's board of directors on 14 February 2019 and are subject to the approval of the annual general assembly of the shareholders. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the shareholders' annual general assembly.

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:

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

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

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, kindly refer to Note (2 - C) below.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

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

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:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through statement of income.
- 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:

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and interpretations issued but not effective (Continued)

IFRS 16 - Leases

This standard will become effective for annual periods beginning on or after 1 January 2019. This standard will be replacing IAS 17 "Leases" and will require lessees to account for all leases under consolidated statement of financial position in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. As at the date of commencement of the lease, the tenant will acknowledge commitment of paying the lease payments, and a principal amount represents the right to use the concerned principal during lease period. The 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 become effective for annual periods beginning on or after 1 January 2021, and replaces IFRS 4: Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A 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.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and interpretations issued but not effective (Continued)

Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures (Continued)
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) (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.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

c) Application of new standards effective from 1 January 2018 (Continued)

(A) IFRS 9: Financial Instruments (Continued)

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

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 statement of income. 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.

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 statement of income:
- 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.

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 investments at fair value through statement of income
All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through statement of income. 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 statement of income 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 statement of income, transaction costs that are directly attributable to its acquisition.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

c) Application of new standards effective from 1 January 2018 (Continued)

(A) IFRS 9: Financial Instruments (Continued)

i. Classification and measurement of the financial assets and liabilities (Continued)

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

Financial assets at fair value through statement of income	These assets are subsequently measured at fair value. Net profits and losses, including any interest or dividend income, are recognised in the consolidated statement of income.
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 statement of income. Any profit or loss on derecognition is recognized in the consolidated statement of income.
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 the consolidated statement of income. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of income.
Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of income unless the dividends clearly represent a recovery of part of the cost of the investment. Other net profits and losses are recognised in other comprehensive income and are never reclassified to the consolidated statement of income.

Impact of adoption of IFRS 9 on the carrying amounts of the financial assets at 1 January 2018 is further described below.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

c) Application of new standards effective from 1 January 2018 (Continued)

(A) IFRS 9: Financial Instruments (Continued)

i. Classification and measurement of the financial assets and liabilities (Continued)

Classification of Financial Assets and Financial Liabilities

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:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impact of application of IFRS 9
			KD	KD	KD
Cash and cash equivalents	Loans and receivables	Amoritsed cost	13,623,925	13,623,925	-
Investments at fair value through statement of income (A)	At fair value through statement of income	Financial assets at fair value through statement of income	19,910,144	19,910,144	-
Available for sale financial assets (B)	available for sale	Financial assets at fair value through other comprehensive income	17,453,070	17,453,070	-
Trade receivables and other receivables (C)	Loans and receivables	Amoritsed cost	32,395,027	30,895,027	1,500,000
Total financial assets			83,382,166	81,882,166	1,500,000
Financial liabilities					
Trade and other payables	Amoritsed cost	Amoritsed cost	20,863,003	20,863,003	-
Total financial liabilities			20,863,003	20,863,003	-

a) Under IAS 39, these equity securities were designated as at fair value through Statement of income 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) 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 the consolidated statement of income.

c) C) Trade receivables and other debit balances that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 1,500,000 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 trade receivables and other debit balances recognised at 1 January 2018 on the adoption of IFRS 15.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

c) Application of new standards effective from 1 January 2018 (Continued)

(A) IFRS 9: Financial Instruments (Continued)

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.

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

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:

- Bank balances (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 trade 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 30 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 90 days past due.

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.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

c) Application of new standards effective from 1 January 2018 (Continued)

(A) IFRS 9: Financial Instruments (Continued)

ii. Impairment of Financial Assets (Continued)

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 accounts receivable and other debit balances, including contract assets, are presented separately in consolidated statement of income.

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.

Provision for losses as at 1 January 2018	**Amount (KD)**
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables (Note 8)	(1,500,000)

Receivables
The following analysis provides further detail about the calculation of ECLs related to receivables 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.

2. Application of new and revised international financial reporting standards (IFRSs) (Continued)

c) Application of new standards effective from 1 January 2018 (Continued)

(A) IFRS 9: Financial Instruments (Continued)

ii. Impairment of Financial Assets (Continued)

The following table provides information about the exposure to credit risk and ECLs as at 1 January 2018:

	Weighted average of loss rate	Total carrying amount KD	Credit impairment
Not past due 1 - 90 days	2%	15,761,752	No
Not past due 91 - 180 days	11%	13,833,966	No
Not past due 180 - 365 days	25%	3,701,355	No
More than 365 days past due	100%	351,611	Yes

At 1 January 2018, as a result of adoption of IFRS 9, the Group recognized an additional allowance for ECLs of KD 1,500,000 (Note 8).

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 statement of income.
- 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:-

Sale of goods

Performance obligations relating to sale of goods are met at a point in time, specifically when transferring the control over goods to the client.

3. Significant accounting policies

3.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Companies Law No. 1 of 2016, and its executive regulations, as amended. These consolidated financial statements are presented in Kuwaiti Dinar ("KD"), the Group's operational and presentation currency, and are prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through statement of income that are stated at fair value.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain significant accounting estimates. It also requires group management to exercise judgment in applying the Group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 4.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Basis of consolidation

The consolidated financial statements comprise financial statements of the Parent company and its subsidiary drawn up to 31 December 2018 (see below). The subsidiary has a reporting date of 31 December.

Where the Parent Company has control over an investee, it is classified as a subsidiary. The Parent Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Intercompany balances and transactions, including intercompany unrealized profits and losses are eliminated in full on consolidation.

3. Significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Profit or loss on disposals of non-controlling interests is also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to the statement of income or transferred directly to retained earnings as specified by applicable IFRSs).

Details of the subsidiary:

Name of subsidiary	Principal activity	Place of Incorporation	Percentage of holding	
			2018	2017
National Company for Aggregate Import & Sale W.L.L	Import and sale of aggregates	State of Kuwait	98%	98%

There are assignment letters from the non-controlling parties in their interests in the Company representing in 2% in favor of the Parent Company.

3.3 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy (see borrowing costs policy). Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis.

3. Significant accounting policies (Continued)

3.3 Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Assets maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

The profit or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of income in the period in which they occur.

3.4 Financial instruments

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

Financial assets and liabilities carried on the consolidated statement of financial position include cash on hand and at banks/ cash and cash equivalents, trade receivables and other debit balances, financial assets at fair value through statement of income, financial assets at fair value through other comprehensive income and trade payables.

Financial assets

Recognition, initial measurement and derecognition
To determine the classification and measurement category of financial assets, IFRS requires assessment of all financial assets, except for equity instruments and derivatives, based on the Group's business model for managing the Group's assets and the contractual cash flows characteristics of these instruments.

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

Purchases and sales of the financial assets are recognized on the trade date i.e. the date on which the Group commits to purchase or sell the asset. The financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through statement of income.

The financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the Group transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Group transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. When the Group retains control, it must continue to recognize the financial assets to the extent of its participation therein.

3. Significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Financial assets (Continued)

Classification of financial assets

Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:
- Debt instruments at amortized cost.
- Financial assets at fair value through other comprehensive income.
- Financial assets at fair value through statement of income.

Subsequent Measurement

Debt instruments at amortized 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 statement of income:
- 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 instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Profits and losses are recognized in the consolidated statement of income when the asset is derecognised, adjusted or impaired.

The financial assets at amortised cost consist of cash and cash equivalents and trade receivables classified as debt instruments at amortised cost.

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

Trade receivables
Trade receivables are amounts due from customers for sale of goods or leasing units or rendering services in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivables which are not designated under any of the above are classified as "other receivables".

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

3. Significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through other comprehensive income (Continued)
Profits and losses on these equity instruments are never recycled to the consolidated statement of income. Dividends are recognized in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value at other comprehensive income are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

The financial assets at fair value through other comprehensive income represent quoted and unquoted equity investments.

Financial assets at fair value through statement of income
The Group classifies the financial assets as held for trading primarily when purchased or issued in order to achieve short-term profits through trading activities or when they form a part of a financial instruments portfolio that are managed together, there is an evidence for emerging a new pattern to achieve short-term profits. Assets held for trading are recognized and measured at fair value in the consolidated statement of financial position. In addition, on initial recognition, the Group may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income if doing so eliminates or significantly reduces an accounting mismatch that would arise.

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

The financial assets at fair value through statement of income represent quoted and unquoted equity investments.

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.

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

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

3. Significant accounting policies (Continued)

3.4 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (continued)
"12-month expected credit losses" are recognized for Stage 1 while "lifetime expected credit losses" are recognized for Stage 2.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs that are measured at amortised cost are deducted from total carrying amount of the assets and charged to consolidated statement of income. For the financial debt instruments designated at fair value through other comprehensive income, the allowance is charged to consolidated statement of income.

Financial liabilities

The accounting for financial liabilities remains largely the same as it was under IAS (39), except for the treatment of gains or losses arising from an Group's own credit risk relating to liabilities designated at fair value through statement of income. Such movements are presented in other comprehensive income with no subsequent reclassification to consolidated statement of income.

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

Derecognition of financial liabilities
A financial liability is derecognized 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 recognized in consolidated statement of income.

Offsetting financial assets and liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

3. Significant accounting policies (Continued)

3.5 Revenue recognition (Continued)

- Identifying the contract with a customer
- Identifying the performance obligations
- Determine the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligations are satisfied

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.
IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies 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.

Under IFRS 15, revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group 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 simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not establish an asset that has an alternative usage to the Entity. The Entity 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 over the assets 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.

Contract liabilities & assets
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 it receives the consideration, the Group recognizes either a contract assets or a receivables in consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

3. Significant accounting policies (Continued)

3.5 Revenue recognition (Continued)

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

When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognized over time as the customisation or integration work is performed.

Dividend income
Dividend income from investments is recognized when the Group's right to receive payment has been established.

Sale of investments income
Revenues are recognized from sale of financial assets at fair value through statement of income and through other comprehensive income when ownership of the sold investments is transferred to the buyer.

Rendering of services
Revenue from services rendered is recognised in the consolidated statement of profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of the work performed.

Other revenues
Other income is recognized on accrual basis.

3. Significant accounting policies (Continued)

3.6 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at the date of each consolidated financial position statement. Fair value measurement of financial instruments and non-financial assets is disclosed in the notes to the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement depends on the presumption that the asset is disposed of or the liability is settled by transferring it. This happens in one of the following cases:

- Disposal or settlement to the primary market of asset or liability, or
- In case there is no primary market for the asset or liability, disposal or settlement is done in the secondary market, i.e. in the most useful market to the asset or liability. In this context, the Group must be able to reach the primary market or the most useful market to the asset or liability.

With regard to assets and liabilities recognised in the consolidated financial statements of the Group measured at fair value frequently, the Group determines whether there are transfers made between levels of the fair value hierarchy through reclassification at the end of each reporting period.

To present the disclosures on the fair value, the Group determined categories of assets and liabilities taking into consideration nature and characteristics of the risks related to the asset or liability and level of the hierarchy referred to above.

The fair value of asset and liability are measured by using assumptions used by the participants in the market when pricing the asset or liability, and by assuming that such participants are working to reach the best achievement of their economic interests.

Fair value measurement of non-financial assets takes into account ability of the participants in the market to achieve economic benefits for them through the best way of usage at the highest and best level of the asset, or through selling the asset to another party in the market, that is expected to use the asset in an ideal way at the highest and best level. The Company uses appropriate valuation techniques that have available sufficient data to measure the fair value while using maximum observable inputs related to the asset and reducing usage of the unobservable inputs to the maximum limit.

All assets and liabilities that its fair value is measured or disclosed are classified within the fair value hierarchy. The fair value hierarchy consists of three levels: 1. In accordance with quoted prices. 2. Valuation techniques use prices of observable current market transactions. 3. Valuation techniques use generally accepted pricing models.

3. Significant accounting policies (Continued)

3.7 Equity and reserves

Capital represents the nominal value of shares that have been issued.

Reserves (statutory and voluntary) represent retained amounts from annual profits in such accounts under requirements of the Parent Company's memorandum of incorporation and articles of association, Companies Law, its executive regulations and decisions of board of directors approved by the general assembly of shareholders.

General reserve was made in previous years based on decisions of board of decisions and approval of the general assembly for shareholders on the same.

Retained earnings include profits for the current financial year and prior financial period retained profits.

3.8 Dividends to shareholders

The Parent Company recognises a liability for cash or non-cash distributions to its shareholders when the distribution is authorised and the distribution is no longer among options of the Parent Company. The Parent Company records the liability emerging from cash and non-cash distributions directly in the liabilities with the corresponding entry is charged to retained earnings. In accordance with Companies Law No. 1 of 2016 and its executive regulations, dividends are disclosed when approved by the shareholders at the annual general assembly meeting.

The non-cash dividends are measured at fair value of assets that will be distributed. Fair value measurement is recognized directly in equity. When distributing the non-cash assets, the difference between carrying value of the liability and carrying value of the assets distributed to the shareholders is recognised in the consolidated statement of income.

3.9 Provision for employees end of services benefits

Provision is made for employees' end of service indemnity which is payable on completion of employment. The provision is calculated in accordance with Kuwait Labor Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the date of consolidated financial position, on the basis that this computation is a reliable approximation of the present value of this obligation.

3.10 Social security

With regard to the Kuwaiti national staff, the Group makes contributions to the Public Institution for Social Security (PIFSS) being calculated as a percentage of monthly salaries of the employees. The Group's liability is limited to the amounts of these commitments, which are recognized as expense when the terms of their accrual by concerned employees are met.

3. Significant accounting policies (Continued)

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of the money material, the provisions are deducted at a rate reflecting the risks specific to the obligation where appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.12 Inventories

Inventories are held at lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Spare parts are not intended for resale and are valued at cost after making allowance for any obsolete or slow moving items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of purchased cost or net realisable value using the weighted average method after making provision for any slow moving and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

3.13 Translation of foreign currencies

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is also functional currency of the Parent Company.

Transactions and balances
Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each consolidated financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of consolidated financial statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. Significant accounting policies (Continued)

3.13 Translation of foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in the statement of other comprehensive income. For such non-monetary items, any exchange component of that rofit or loss is also recognised directly in the statement of other comprehensive income.

3.14 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Profits realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the profit on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.15 Assets and contingent liabilities

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

3.16 Contribution to Kuwait Foundation for the Advancement of Sciences

The contribution to KFAS is calculated at 1% of profit before deduction of the contribution to KFAS, Zakat and NLST and after transferring to statutory reserve.

3.17 Zakat

Zakat is calculated at 1% on the profit before deduction of the contribution to KFAS, Zakat and NLST in accordance with law No. 46 for year 2006.

3.18 National Labour Support Tax

Zakat is calculated at 2.5% on the profit before deduction of the contribution to KFAS, Zakat and NLST in accordance with law No. 19 for year 2000.

3. Significant accounting policies (Continued)

3.19 Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, their family members and the entities they own. All related party transactions are conducted on a normal course of activity and are approved by the Group's management.

4. Significant accounting judgements and key sources of estimation uncertainty

Accounting judgments

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Classification of financial instruments
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets as stated in Note (2-A).

Principal versus agent considerations
The Group enters into contracts to sell goods and render services to its customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group determined that it is a principal in all its contracts with its customers.

- The Group controls the promised goods or services before the Group transfers the goods or services to the customer.
- The Group satisfies the performance obligations by itself and does not engage another party in satisfying its performance obligations in its contracts with customers.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

The valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of other instruments that are substantially the same.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation

4. Significant accounting judgements and key sources of estimation uncertainty (Continued)

Provision for Inventories

The carrying amount of inventories are reduced and included by net realisable value when damaged or become obsolete, wholly or partly, or when the selling price goes down. The benchmarks for determining the amount of provision or write-off include annual analysis, technical assessment and subsequent events. The provisions and write-off are subject to management's approval.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade 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 Company'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 Company'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 ECL on the Group's trade receivable is disclosed in Note (8).

Impairment of tangible assets

The Group's management estimates whether there is an indication to impairment of tangible assets. The recoverable amount of an asset is determined based on "value in use method". 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 tangible assets

As described in note 3, the Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

5. Property, plant and equipment

	Leasehold lands & buildings improvements	Trading vessels	Plant and equipment	Furniture and fixtures	Vehicles	Tools and equipment	Silos	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost								
Balance at 1 January 2017	6,489,813	3,178,267	8,888,840	222,598	9,313,678	2,518,371	399,655	31,011,222
Additions during the year	15,451	2,852,464	3,598,805	5,535	111,575	80,807	231,031	6,895,668
Disposals	-	(970,615)	-	-	(9,309)	-	-	(979,924)
Balance at 31 December 2017	6,505,264	5,060,116	12,487,645	228,133	9,415,944	2,599,178	630,686	36,926,966
Additions during the year	-	2,552,843	2,211,579	6,800	106,325	686,310	32,215	5,596,072
Disposals	-	-	-	-	(266,286)	(145,508)	-	(411,794)
Balance as at 31 December 2018	6,505,264	7,612,959	14,699,224	234,933	9,255,983	3,139,980	662,901	42,111,244
Accumulated depreciation								
Balance at 1 January 2017	6,162,770	3,177,767	8,241,031	216,552	7,714,376	2,053,855	204,565	27,770,916
Charged during the year	216,569	289,280	1,730,616	7,433	1,620,018	12,323	102,274	3,978,513
Related to disposals	-	(970,615)	-	-	(9,309)	-	-	(979,924)
Balance at 31 December 2017	6,379,339	2,496,432	9,971,647	223,985	9,325,085	2,066,178	306,839	30,769,505
Charged during the year	46,405	3,104,229	2,339,503	10,824	47,622	100,035	1,611	5,650,229
Related to disposals	-	-	-	-	(266,278)	(145,505)	-	(411,783)
Balance at 31 December 2018	6,425,744	5,600,661	12,311,150	234,809	9,106,429	2,020,708	308,450	36,007,951
Carrying value								
At 31 December 2018	79,520	2,012,298	2,388,074	124	149,554	1,119,272	354,451	6,103,293
At 31 December 2017	125,925	2,563,684	2,515,998	4,148	90,859	533,000	323,847	6,157,461
Annual depreciation rates	5-20%	20%	20%	20%	10-20%	20%	10%	

Buildings are constructed on a land leased from the State of Kuwait.

6. Available for sale financial assets

	2018	2017
	KD	KD
Quoted Investments	-	17,353,070
Unquoted investments	-	100,000
	-	17,453,070

As at 1 January 2018, the Group adopted IFRS 9. Accordingly, it reclassified available for sale financial assets with carrying value of KD 17,453,070 to financial assets at fair value through other comprehensive income (Note 7).

7. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity securities that are not hold for trading, for which the management issued irrevocable decision, on initial recognition, for recognition of the changes in fair value through other comprehensive income other than its recognition in profit or loss as they are strategic investments.

	2018	2017
	KD	KD
Quoted securities	15,936,084	-
Unquoted securities	100,000	-
	16,036,084	-

As at 1 January 2018, the Group adopted IFRS 9. Accordingly, it reclassified available for sale financial assets with carrying value of KD 17,453,070 to financial assets at fair value through statement of other comprehensive income (Note 6).
Financial assets are valuated at fair value through other comprehensive income in accordance with note no. (23-G).

8. Trade and other receivables

	2018	2017
	KD	KD
Trade receivables (A)	29,081,428	33,648,684
Provision for expected credit losses	(3,113,921)	(1,613,921)
Net trade receivables	25,967,507	32,034,763
Advance payments	87,798	81,667
Other receivables	530,453	278,597
	26,585,758	32,395,027

(A) Trade receivables:

	2018	2017
	KD	KD
Less than 90 days	13,543,114	15,761,752
91 - 180 days	11,846,322	13,833,966
181 - 365 days	2,869,372	3,701,355
Over one year	822,620	351,611
	29,081,428	33,648,684

8. Trade and other receivables (Continued)

Movement on provision for ECLs is as follows:-

	2018	2017
	KD	KD
Balance at beginning of the year	1,613,921	1,613,921
Impact of adoption of IFRS 9	1,500,000	-
	3,113,921	1,613,921

Disclosures relating to the credit risk exposure and analysis relating to the provision for ECLs are set forth in Note (23- C).

9. Inventories

	2018	2017
	KD	KD
Raw materials	430,877	565,431
Cement	928,246	1,671,701
Steel	3,061,709	3,269,440
Cement sacks	39,497	80,322
Goods in transit	184,009	97,772
Spare Parts	321,922	237,361
Aggregate	4,938,750	-
	9,905,010	5,922,027
Provision for slow moving inventory	(27,701)	(27,701)
	9,877,309	5,894,326

10. Financial assets at fair value through statement of income

	2018	2017
	KD	KD
Quoted securities	21,396,671	19,508,655
Unquoted securities	294,085	401,489
	21,690,756	19,910,144

11. Cash and cash equivalents

	2018	2017
	KD	KD
Cash on hand	110,506	157,501
Bank balances	10,048,569	8,765,215
Cash at investment portfolios	1,185,942	4,701,209
	11,345,017	13,623,925

12. Share capital

The authorized, issued and fully paid up share capital comprises of KD 10,022,196 divided into 100,221,960 shares each of 100 fils each. All shares are cash shares.

13. Statutory reserve

In accordance with the Companies Law and the Parent Company's memorandum of association, 10% of the profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, Zakat, and directors' remuneration, is transferred to the statutory reserve. The Parent Company may discontinue such transfer when the reserve balance exceeds 50% of the paid up share capital. Such reserve is not available for distribution except for payment of a dividend of 5% of capital in years when cumulative profit is not sufficient for the payment of such dividend. The Parent Company has discontinued the transfer to such reserve because the statutory reserve balance has exceeded 50% of the Parent Company's share capital.

14. Voluntary reserve

In accordance the Parent Company's memorandum of association, 10% of the profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, Zakat, and directors' remuneration, is transferred to the statutory reserve. Such annual transfers can be discontinued by a resolution taken by the Parent Company shareholders' general assembly meeting upon recommendation by the board of directors. There are no restrictions on the distribution of the voluntary reserve.

Transfer to voluntary reserve has been discontinued in accordance with decision of the general assembly of the Parent Company's shareholders.

15. Other provisions

This item represents rental amount estimated by the management for the Parent Company's cement plant located in Shuwaikh Port of KD 1,810,634 and KD 333,815 for gate fees (31 December 2017: KD 1,724,449).

There are common lawsuits between the Parent Company and other parties regarding the amounts due.

16. Provision for employees' end of service indemnity

	2018	2017
	KD	KD
Balance at 1 January	3,730,258	3,062,204
Provided during the year	763,576	714,636
Payment during the year	(117,437)	(46,582)
Balance at 31 December	4,376,397	3,730,258

17. Trade and other payables

	2018	2017
	KD	KD
Trade payables	13,833,377	18,520,181
Staff leaves payable	411,103	456,437
Payable to KAFS	110,132	98,840
National Labour Support Tax due	233,646	235,319
Board of Directors' accrued remuneration	260,000	260,000
Zakat payable	93,459	94,127
Accrued expenses	1,241,989	1,198,099
	16,183,706	20,863,003

18. Other income

This item represents revenues from wages for transportation and distribution of cement, iron, sale of properties, plant and equipment and others.

19. Basic earning per share

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of shares outstanding during the year:

	2018	2017
Net profit for the year (KD)	10,315,966	9,195,710
Weighted average number of outstanding shares (share)	100,221,960	100,221,960
Basic earnings per share (fils)	102.93	91.75

20. Staff costs and depreciation

Staff costs and depreciation are stated in the consolidated financial statements in the following accounts categories:

	2018	2017
	KD	KD
Employee costs		
Cost of sales	1,932,975	1,458,024
General and administration expenses	447,812	353,614
	2,380,787	1,811,638
Depreciation		
Cost of sales	5,611,104	3,910,866
General and administrative expenses	39,125	67,647
	5,650,229	3,978,513

21. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Parent Company, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Details of transactions between the Parent Company and related parties are disclosed below.

	2018	2017
Transactions:-	KD	KD
Key management personnel Compensation:		
Salaries and short-term benefits	467,781	467,781
Employees' end of service indemnity	78,954	78,954
Directors' remuneration	260,000	260,000

22. Segments Information

IFRS 8 requires that operating segments to be identified based on the internal reports of Group segments which are regularly reviewed by the chief decision maker so as to evaluate their performance. The Parent Company's management has classified the Group's products and services into the following operational segments according to the IFRS 8: "Operating Segments".

- Cement, steel and aggregate
- Ready mix.
- Investments.

Below is the analysis of income and profit of segments as disclosed:

	Revenues from operating segments		**Net profit of operating segments**	
	2018	**2017**	**2018**	**2017**
	KD	KD	KD	KD
Cement, steel and aggregate	68,456,205	59,987,693	7,437,665	6,369,801
Ready mix	37,483,011	25,712,187	1,441,344	2,139,241
Total sales	105,939,216	85,699,880	8,879,009	8,509,042
Investments			3,453,413	2,081,456
Total for operations			12,332,422	10,590,498
Other income unallocated for the segments			2,039,749	2,180,746
General and administrative expenses			(1,800,779)	**(1,020,559)**
Other provisions			(420,000)	(120,000)
Distribution expenses			(1,138,189)	(1,746,689)
Contribution to Kuwait Foundation for the Advancement of Sciences			(110,132)	(98,840)
National Labor Support Tax			(233,646)	(235,319)
Zakat			(93,459)	(94,127)
Board of directors' remuneration			(260,000)	(260,000)
Net profit for the year			10,315,966	9,195,710

For the purposes of monitoring segment performance and allocating resources between segments, the segment assets and liabilities are as follows:

	2018	**2017**
	KD	KD
Assets		
Cement, steel and aggregate	33,409,698	39,916,791
Ready mix	20,501,679	18,153,948
Investments	37,726,840	37,363,214
	91,638,217	95,433,953

	2018	**2017**
	KD	KD
Liabilities		
Cement, steel and aggregate	19,281,465	22,390,027
Ready mix	3,423,087	3,927,683
Unallocated	448,594	625,798
	23,153,146	26,943,508

23. Financial risk management

a) Capital risk management

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group's sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

b) Categories of financial instruments

	2018	2017
	KD	KD
Financial assets		
Cash and cash equivalents	11,345,017	13,623,925
Trade receivables (Note 8)	29,081,428	33,648,684
Financial assets at fair value through statement of income	21,690,756	19,910,144
Available for sale financial assets	-	17,453,070
Financial assets at fair value through other comprehensive income	16,036,084	-
Financial liabilities		
Trade payables (Note 17)	13,833,377	18,520,181

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through obtaining the suitable guarantees when appropriate. The maximum credit risk exposure is not materially different from the carrying values in the consolidated statement of financial position.

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

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

23. Financial risk management (Continued)

c) Credit risk (Continued)

31 December 2018	1-90 Days	91-180 days	181 – 365 days	More than 365 days	Total
	KD	KD	KD	KD	KD
ECLs rate (%)	2%	11%	25%	100%	-
ECLs	270,862	1,303,095	717,343	822,620	3,113,921

31 December 2017	1-90 Days	91-180 days	181 – 365 days	More than 365 days	Total
	KD	KD	KD	KD	KD
ECLs rate (%)	2%	11%	25%	100%	-
ECLs	315,235	1,521,736	925,338	351,611	3,113,921

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

The maximum limit of the Office's exposure to credit risk arising from default of the counterparty is the nominal value of the cash at banks and receivables and other debit balances.

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
Trade and other receivables (excluding prepayments)	26,497,960	32,313,360
Cash and cash equivalents	11,345,017	13,623,935
	37,842,977	45,937,295

The Group evaluates the concentration of risks with respect to trade receivables as low, due to the customer base being large and unrelated.

The maximum limit of exposure to credit risks for financial assets at the reporting date by geographical region and industry wise sector is based in the State of Kuwait.

23. Financial risk management (Continued)

d) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets at fair value through statement of income, financial assets at fair value through other comprehensive income and available for sale financial assets. The Group manages this risk by diversifying its investments on the basis of the predetermined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The expected decrease is equal to the increase set out below.

		Effect on consolidated statement of income		Effect on the consolidated statement of income and other comprehensive income	
		2018	**2017**	**2018**	**2017**
		KD	KD	KD	KD
Financial assets at fair value through statement of income	+5%	1,084,538	995,507	-	-
Available for sale financial assets	+5%	-	-	-	872,654
Financial assets at fair value through other comprehensive income	+5%	-	-	801,804	-

e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate. The Group has no exposure to interest rate risk, as it does not maintain any financial instruments exposed to interest rate risk.

f) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management monitors the positions on a daily basis to ensure positions are maintained within established limits. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposure.

23. Financial risk management (Continued)

f) Foreign currency risk management (Continued)

The effect on profit (due to change in fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

	Effect of increase in currency rate at 5% on profit or loss	
	2018	2017
	KD	KD
USD	62,412	152,414
Saudi Riyals	107,816	-
AED	-	300,292

g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Company's undiscounted financial liabilities as at financial year end based on contractual undiscounted repayment obligations.

31 December 2018	1 to 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD
Trade and other payables	-	16,183,706	-	16,183,706
Other provisions	-	-	2,144,449	2,144,449
Dividends payable	448,594	-	-	448,594
TOTAL LIABILITIES	448,594	16,183,706	2,144,449	18,776,749

31 December 2017	1 to 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD
Trade and other payables	-	20,863,003	-	20,863,003
Other provisions	-	-	1,724,449	1,724,449
Dividends payable	625,798	-	-	625,798
TOTAL LIABILITIES	625,798	20,863,003	1,724,449	23,213,250

h) Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.

23. Financial risk management (Continued)

h) Fair value of financial instruments (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data.

	Level 1	Total
31 December 2018	KD	KD
Investments at fair value through statement of income		
Quoted equities	21,396,671	21,396,671
Investments at fair value through other comprehensive income		
Quoted equities	15,936,084	15,936,084

	Level 1	Total
31 December 2017	KD	KD
Investments at fair value through statement of income		
Quoted equities	19,508,655	19,508,655
Available for sale financial assets		
Quoted equities	17,353,070	17,353,070

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

24. General assembly of shareholders

The board of directors proposed through its meeting held on 14 February 2019 to distribute cash dividends at 100 fils per share in total amount KD 10,022,196 It also proposed to distribute remuneration for members of the board of directors of KD 260,000 for the financial year ended 31 December 2018. Such proposals are subject to the approval of the shareholders' annual general assembly.

On 16 April 2018, the shareholders' general assembly was held and approved the consolidated financial statements for the financial year ended 31 December 2017 and distribution of cash dividends at 90% of share capital at 90 fils per share to the shareholders registered at the maturity date 7 May 2018 and as of the date of cash dividends 14 May 2018. The shareholders' extraordinary general assembly was held at the same date and approved to add new items to article 5 of the memorandum of incorporation and article 4 of articles of association regarding the Company's objectives (Note 1).

On 28 March 2017, the general assembly for shareholders was held and approved the consolidated financial statements for the year ended 31 December 2016 and distribution of cash dividends at 80% of the share capital, i.e. 80 fils per share, (For the financial year ended 31 December 2015: distribution of cash dividends at 50% of the share capital, i.e. 50 fils per share, and distribution of bonus shares at 5% of the share capital, 5 shares for each one hundred shares, this is for the shareholders registered on the date of general assembly meeting.

25. Contingent liabilities

	2018	2017
	KD	KD
Letters of guarantee	6,261,120	6,261,120

26. Comparative figures

Certain comparative figures have been reclassified to conform to current presentation of the Group's consolidated financial statements.