HILAL CEMENT COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hilal Cement Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 6 of the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Group by the Kuwait Port Authority. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of goodwill

The Group has recorded goodwill with regard to the acquisition of certain subsidiaries. The individual goodwill amounts have been allocated to the cash-generating unit (CGU) expected to benefit from synergies from the combination as disclosed in Note 7 to the consolidated financial statements.

Due to the complexity of the impairment assessment process and significant management judgment involved in making key assumptions, such as discount and long-term growth rates, which are affected by expected future market conditions, as well as, the significant carrying amount of the goodwill, we consider this area to be a key audit matter.

We involved our internal valuation specialists to assist us in evaluation of the appropriateness of the key assumptions used in the impairment analysis, in particular the long-term growth rates and the discount rate applied. We also evaluated the sensitivity analyses performed by management around key assumptions noted above for the various CGU's and challenged the outcomes of the assessment.

Furthermore, we assessed the adequacy of the Group's disclosures concerning goodwill in Note 2.6 and 7 to the consolidated financial statements.

Impairment of trade receivables

The Group has significant trade receivables balances representing 27% of total assets of the Group as at 31 December 2017. Impairment of trade receivables is a subjective area due to the high level of judgment applied by management in determining provisions based on specific reviews of customer accounts as well as experience with historical collection trends.

We obtained understanding of the Group's process to identify the impaired trade receivables and to estimate the required provisions against them. We tested a sample of trade receivables, and assessed the criteria for determining whether an impairment event had occurred, by focusing on those with the most significant potential for impairment due to increased uncertainty of recovery in the current market circumstances and specifically challenged management's assessment of the recoverable amount.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of trade receivables (continued)

Disclosures relating to the ageing and impairment of trade receivables are presented in Note 9 and the management's assessment of the credit risk and their responses to such risks, including the risk management policies are disclosed in Note 21 to the consolidated financial statements.

Provision for impairment of inventories

The Group holds inventory in hand comprising of stock in trade, raw materials, spares and consumables. The determination of provision for impairment of inventories requires management to exercise judgment in identifying old and obsolete inventories and make estimates of the appropriate level of provision required. Further, the management used the work of an external expert to estimate the quantities of the stock in trade and raw materials due to the specialised nature of the inventory.

Our audit procedures included, amongst others, observing physical inventory counts to ascertain the condition of inventory. We also assessed the competence, capabilities and objectivity of the expert used by the management. Furthermore, we have obtained an understanding of how the Group's management identifies the old and obsolete inventories and evaluated the adequacy of provision for old and obsolete inventories as at 31 December 2017. We also assessed the accuracy of the net realizable value, on a sample basis.

Disclosures relating to inventory and related provisions are given in Note 8 to the consolidated financial statements.

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation, and Articles of Association that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2017, that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

12 March 2018
Kuwait

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	***2017*** ***KD***	*2016* *KD*
Sale of goods		**18,228,280**	20,761,158
Cost of goods sold		**(16,130,005)**	(17,838,767)
GROSS PROFIT		**2,098,275**	2,922,391
Other income	3	**162,012**	143,827
Other expenses		**(1,856,963)**	(2,417,469)
Allowance for impairment of accounts receivable	9	**(353,688)**	(421,932)
Impairment of goodwill	7	**(868,187)**	-
Net foreign exchange differences		**11,153**	8,771
OPERATING (LOSS)/PROFIT		**(807,398)**	235,588
Finance costs		**(61,550)**	(69,049)
(LOSS)/PROFIT FOR THE YEAR BEFORE TAX AND DIRECTORS' REMUNERATION		**(868,948)**	166,539
Contribution to Kuwait Foundation for the Advances of Sciences (KFAS)		**-**	(1,364)
National Labour Support Tax (NLST)		**-**	(25,023)
Zakat		**-**	(4,905)
Directors' remuneration	17	**(25,498)**	(8,000)
(LOSS)/PROFIT FOR THE YEAR	4	**(894,446)**	127,247
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(894,446)**	127,247
Attributable to:			
Equity holders of the Parent Company		**(924,746)**	112,262
Non-controlling interests		**30,300**	14,985
		(894,446)	127,247
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	**(9.1) fils**	1.1 fils

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	***2017*** ***KD***	*2016* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,903,861**	4,859,963
Goodwill	7	**4,179,257**	5,047,444
Term deposits	10	**-**	160,000
		8,083,118	10,067,407
Current assets			
Inventories	8	**1,689,326**	2,028,671
Accounts receivable and prepayments	9	**5,925,294**	5,423,710
Cash and short term deposits	10	**5,508,659**	4,612,734
		13,123,279	12,065,115
TOTAL ASSETS		**21,206,397**	22,132,522
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**10,146,213**	8,455,178
Statutory reserve	12	**2,096,776**	2,096,776
Voluntary reserve	12	**2,096,776**	2,096,776
(Accumulated losses)/retained earnings		**(373,035)**	2,242,746
Equity attributable to the equity holders of the Parent Company		**13,966,730**	14,891,476
Non-controlling interests		**1,072,187**	1,041,887
Total equity		**15,038,917**	15,933,363
Non-current liabilities			
Loan from a related party	17	**1,082,900**	1,082,900
Employees' end of service benefits	13	**742,405**	700,989
		1,825,305	1,783,889
Current liabilities			
Bank overdrafts	10	**31,224**	155,500
Accounts payable and accruals	14	**4,310,951**	4,259,770
		4,342,175	4,415,270
Total liabilities		**6,167,480**	6,199,159
TOTAL EQUITY AND LIABILITIES		**21,206,397**	22,132,522

Sayed Salah Sayed Hashim Al Tabtabaei
Chairman

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Parent Company						
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*(Accumulated losses)/ retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
Balance at 1 January 2017	8,455,178	2,096,776	2,096,776	2,242,746	14,891,476	1,041,887	15,933,363
Total comprehensive (loss) income for the year	-	-	-	(924,746)	(924,746)	30,300	(894,446)
Bonus shares issued (Note 11)	1,691,035	-	-	(1,691,035)	-	-	-
Balance at 31 December 2017	**10,146,213**	**2,096,776**	**2,096,776**	**(373,035)**	**13,966,730**	**1,072,187**	**15,038,917**
Balance at 1 January 2016	7,686,525	2,081,621	2,081,621	2,929,447	14,779,214	1,026,902	15,806,116
Total comprehensive income for the year	-	-	-	112,262	112,262	14,985	127,247
Bonus shares issued (Note 11)	768,653	-	-	(768,653)	-	-	-
Transfer to reserves	-	15,155	15,155	(30,310)	-	-	-
Balance at 31 December 2016	8,455,178	2,096,776	2,096,776	2,242,746	14,891,476	1,041,887	15,933,363

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	*2017* *KD*	*2016* *KD*
OPERATING ACTIVITIES			
(Loss)/profit for the year		**(894,446)**	127,247
Non-cash adjustments to reconcile (loss)/profit for the year to net cash flows:			
Interest income	3	**(63,209)**	(36,488)
Gain on disposal of property, plant and equipment		**(80)**	(20,626)
Depreciation	6	**958,087**	1,143,064
Write-off of property, plant and equipment		**-**	4,150
Allowance for impairment of accounts receivable	9	**353,688**	421,932
Impairment of goodwill	7	**868,187**	-
Write down/(write back) of inventories	8	**84,717**	(29,657)
Provision for employees' end of service benefits	13	**143,687**	83,451
Finance costs		**61,550**	69,049
		1,512,181	1,762,122
Working capital adjustments:			
Inventories		**254,628**	(777,795)
Accounts receivable and prepayments		**(853,691)**	393,484
Accounts payable and accruals		**52,995**	(463,773)
Cash flows from operations		**966,113**	914,038
Interest income received		**61,628**	32,354
Employees' end of service benefits paid	13	**(104,085)**	(105,224)
Net cash flows from operating activities		**923,656**	841,168
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(1,985)**	(43,316)
Proceeds from disposal of property, plant and equipment		**80**	33,500
Net movement in term deposits		**320,000**	500,000
Net cash flows from investing activities		**318,095**	490,184
FINANCING ACTIVITIES			
Net movement in loan from a related party		**-**	(245,000)
Finance costs paid		**(61,550)**	(69,049)
Net cash flows used in financing activities		**(61,550)**	(314,049)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,180,201**	1,017,303
Cash and cash equivalents at 1 January		**4,237,234**	3,219,931
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**5,417,435**	4,237,234

The attached notes 1 to 23 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Hilal Cement Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 6 March 2018. The Annual General Assembly meeting of the shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company was established as a Kuwaiti shareholding company on 19 January 1984 and its shares are publicly traded on the Kuwait Stock Exchange (KSE). The principal activities of the Parent Company are import, storage and distribution of cement and other bulk materials; establishing, operating and managing storage silos; acquiring interest in other companies engaged in similar activities; and investing surplus funds through portfolio managers in shares of investment and real estate companies.

The Parent Company is located in Marzouk Tower, 19th floor, Building 3, Al-Qibla, Block 14 and its registered postal address is P.O. Box 20732, 13068, Safat, Kuwait.

The Parent Company is a subsidiary of Suez Cement Company S.A.E. (the "Ultimate Parent Company"), a company registered in Egypt.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting nights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. This listing of standards issued is those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date. The Company does not expect any significant impact upon adoption of this Standard.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017. The Group is in the process of quantifying the impact of this standard on its consolidated financial statements; however it does not expect any significant impact when adopted.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

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

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 Leases (continued)
Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its financial position or performance.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over aggregate consideration transferred, then the gain is recognised in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding discounts and rebates. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually on delivery of the goods.

Interest income

Interest income is recorded as interest accrues using the effective interest rate method. Interest income is included in other income in the consolidated statement of comprehensive income.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associate, subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Cash dividend

The Parent Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Parent Company. As per the Companies Law, a distribution is authorised when it is approved by the shareholders in the Annual General Assembly meeting.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and capital work in progress are not depreciated. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets, as follows:

• Barge	5 - 25 years
• Buildings	10 - 20 years
• Plant and machinery	7 - 15 years
• Furniture and equipment	3 - 5 years
• Motor vehicles	3 - 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Current versus non-current classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset.

The Group's financial assets include accounts receivable, term deposits and cash and cash equivalents.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Term deposits
Term deposits includes long term deposits having original maturity over one year from the date of placement and carry interest at commercial rates.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of, cash at hand, bank balances, short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loan and borrowings, payable, or as derivative designated as hedging instruments in an effective hedge as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of attributable transaction costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loan from a related party

Loan from a related party in the consolidated statement of financial position are initially recognised at the fair value less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are charged as an expense as they accrue, with unpaid amounts included in "accounts payable and accruals".

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement comprehensive income.

Offsetting of financial instruments

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

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Reversals of impairment losses are recognised in the statement of comprehensive income to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Stock in trade	-	purchase cost on a weighted average basis
Spares and consumables	-	purchase cost on a weighted average basis
Goods in transit	-	purchase cost incurred up to the reporting date

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currencies
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of comprehensive income is also recognised in other comprehensive income or consolidated statement of comprehensive income, respectively). Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgment.

Legal proceedings

In accordance with IFRSs, the Group recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements.

Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the financial statements, could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Operating segments

The segments disclosed in Note 19 have been determined by distinguishing the business activities from which the Group earns revenue and incurs expenses. The economic characteristics of the operating segments have been reviewed and operating segments have been grouped based on the assessment made by the Chief Operating decision maker.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an impairment applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of property, plant and equipment
The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value which would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of Goodwill
The Group determines whether goodwill has impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3 OTHER INCOME

	2017 *KD*	*2016* *KD*
Interest income	**63,209**	36,488
Gain on disposal of property, plant and equipment	**80**	20,626
Others	**98,723**	86,713
	162,012	143,827

4 (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year is stated after charging:

	2017 *KD*	*2016* *KD*
Included in cost of good sold:		
Staff costs	**1,237,887**	1,261,856
Depreciation	**471,857**	526,435
Cost of inventories recognised as an expense	**13,158,424**	14,354,584
Included in other expenses:		
Staff costs	**702,020**	656,622
Depreciation	**486,230**	616,629
Minimum lease payments recognised as an expense	**263,438**	280,302
Write down/(write-back) for provision for impairment of inventories	**84,717**	(29,657)

5 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share attributable to the equity holders of the Parent Company is calculated by dividing the (loss)/profit for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year are as follows:

	2017	*2016*
	KD	*KD*
(Loss)/profit for the year attributable to the equity holders of the Parent Company	**(924,746)**	112,262
	Shares	*Shares*
Weighted average number of shares outstanding during the year	**101,462,130**	101,462,130
Basic and diluted (loss)/earnings per share	**(9.1) fils**	1.1 fils

The basic and diluted earnings per share of the prior year have been restated for bonus shares approved by Annual General Assembly Meeting of the shareholders held on 6 June 2017 (Note 11).

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

6 PROPERTY, PLANT AND EQUIPMENT

	Barge KD	*Land KD*	*Buildings KD*	*Plant and machinery KD*	*Furniture and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:								
At 1 January 2017	6,346,327	268,376	2,561,089	5,864,339	474,259	4,123,182	-	19,637,572
Additions	-	-	-	970	-	-	1,015	1,985
Disposals	-	-	-	-	-	(10,930)	-	(10,930)
At 31 December 2017	**6,346,327**	**268,376**	**2,561,089**	**5,865,309**	**474,259**	**4,112,252**	**1,015**	**19,628,627**
Depreciation:								
At 1 January 2017	4,348,232	-	2,075,236	4,831,804	403,957	3,118,380	-	14,777,609
Depreciation charge for the year	281,164	-	101,917	206,475	51,886	316,645	-	958,087
Relating to disposals	-	-	-	-	-	(10,930)	-	(10,930)
At 31 December 2017	**4,629,396**	-	**2,177,153**	**5,038,279**	**455,843**	**3,424,095**	-	**15,724,766**
Net book value:								
At 31 December 2017	**1,716,931**	**268,376**	**383,936**	**827,030**	**18,416**	**688,157**	**1,015**	**3,903,861**

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Barge KD	*Land KD*	*Buildings KD*	*Plant and machinery KD*	*Furniture and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:								
At 1 January 2016	6,346,327	268,376	2,561,089	5,857,466	440,741	4,877,972	120,470	20,472,441
Additions	-	-	-	3,480	27,591	8,395	3,850	43,316
Transfers	-	-	-	3,393	5,927	110,850	(120,170)	-
Disposals	-	-	-	-	-	(874,035)	-	(874,035)
Write-off	-	-	-	-	-	-	(4,150)	(4,150)
At 31 December 2016	6,346,327	268,376	2,561,089	5,864,339	474,259	4,123,182	-	19,637,572
Depreciation:								
At 1 January 2016	4,067,061	-	1,969,211	4,475,238	356,496	3,627,700	-	14,495,706
Depreciation charge for the year	281,171	-	106,025	356,566	47,461	351,841	-	1,143,064
Relating to disposals	-	-	-	-	-	(861,161)	-	(861,161)
At 31 December 2016	4,348,232	-	2,075,236	4,831,804	403,957	3,118,380	-	14,777,609
Net book value:								
At 31 December 2016	1,998,095	268,376	485,853	1,032,535	70,302	1,004,802	-	4,859,963

The depreciation charged has been allocated in the consolidated statement of comprehensive income as follows:

	2017 KD	*2016 KD*
Cost of goods sold	**471,857**	526,435
Administrative expenses	**486,230**	616,629
	958,087	1,143,064

6 PROPERTY, PLANT AND EQUIPMENT (continued)

On 29 January 2009, the Parent Company received notice from Kuwait Port Authority (KPA) to vacate the premises of KPA and remove the barge with a carrying value of KD 1,716,931 (2016: KD 1,998,095) owned by the Parent Company which is moored alongside the berth owned by KPA. A verdict was issued by the Court of First Instance on 8 May 2014 in favour of the Parent Company and KPA has filed an appeal in 'Court of Appeals'. On 16 April 2017, a verdict was issued against the Parent Company and the Parent Company has filed an appeal in the 'Court of Cassation'. Based on the legal advice received, management believes that there will be no material consequent impact on Group's consolidated financial statements.

On 23 October 2014, the Parent Company received a notice from KPA requesting on the increase in rental charges. As at 31 December 2017, the management has not entered in to any of the new contract with KPA. However, a provision for rental expenses were made as per the new rates mentioned in the notice from KPA. Based on the legal advice, management is of the view that the new rental charges are applicable prospectively, hence no provision was made for previous periods.

Land includes leasehold land of KD 268,376 (2016: KD 268,376). Notwithstanding the contractual term of the lease, management considers that, based on market experience, the lease is renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease and, consequently, as is common practice in the State of Kuwait, the leasehold land has been accounted for as freehold land.

7 GOODWILL

The carrying amount of goodwill is allocated to manufacturing units as disclosed under segment information (Note 19). The recoverable amount of the segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The pre-tax discount rate of 10.45% (2016: 8.82%) applied to cash flow projections beyond the five year period are extrapolated using a terminal growth rate of 3% (2016: 2%). The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. The carrying amount of the CGU was determined to be higher than its recoverable amount and accordingly, management has recognised an impairment charge of KD 868,187 (2016: Nil) in the current year. The impairment loss was fully allocated to goodwill and included in the consolidated statement of comprehensive income.

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share assumptions;
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

Interest margins
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

Inflation rates
Estimates are obtained from published indices for countries where the Group operates.

7 GOODWILL (continued)

Significant estimate: Impact of possible changes in key assumptions
The management have considered and assessed reasonably possible changes for key assumptions in the value-in-use calculation such as the terminal growth rate and the discount rate applied (pre-tax Weighted Average Cost of Capital "WACC").

If the long term growth rate used to extrapolate cash flows beyond the forecasted period had been lower than management's estimate (2% instead of 3%), keeping all other variables constant the Group would have had to recognise an additional impairment against goodwill of KD 670,960. In the prior year there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the respective CGUs.

If the WACC applied to the cash flow projections of the cash generating units had been 1% higher than management's estimate (11.45% instead of 10.45%), keeping all other variables constant the Group would have had to recognise an additional impairment against goodwill of KD 861,534. In the prior year there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the respective CGUs.

8 INVENTORIES

	2017 ***KD***	*2016* *KD*
Stock in trade	**1,396,699**	1,265,125
Raw materials	**116,729**	182,266
Spares and consumables	**520,169**	479,215
Goods in transit	**25,688**	387,307
	2,059,285	2,313,913
Less: provision for impairment of inventories	**(369,959)**	(285,242)
	1,689,326	2,028,671

The movements in provision for impairment of inventories based on their expected future use and net realisable value are as follows:

	2017 ***KD***	*2016* *KD*
At 1 January	**285,242**	314,899
Write down/(write-back) for the year	**84,717**	(29,657)
At 31 December	**369,959**	285,242

The Group reversed KD Nil during the year ended 31 December 2017 (2016: KD 29,657) of a previous write down. The amount reversed has been included in the administrative expenses in the consolidated statement of comprehensive income. Write down of inventories to their expected future use and net realizable value amounting to KD 84,717 (2016: Nil) was recognized as an expense in the administrative expenses in the consolidated statement of comprehensive income.

9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017 *KD*	*2016* *KD*
Trade receivables	**9,537,839**	8,673,325
Less: Allowance for impairment of trade receivables	**(3,740,012)**	(3,386,530)
	5,797,827	5,286,795
Advance to a related party (Note 17)	**16,008**	16,008
Prepayments, advances and deposits	**46,478**	71,176
Other receivables	**64,981**	49,731
	5,925,294	5,423,710

Trade receivables are non-interest bearing and are generally on terms of 90 days.

As at 31 December 2017, trade receivables with an initial carrying value of KD 3,740,012 (2016: KD 3,386,530) were impaired and fully provided for. Movement in the provision for impairment of trade receivables is as follows:

	2017 *KD*	*2016* *KD*
At 1 January	**3,386,530**	2,964,598
Charge for the year	**353,688**	421,932
Write back of impairment of trade receivables	**(206)**	-
At 31 December	**3,740,012**	3,386,530

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

		Past due but not impaired			
	Neither past due nor impaired *KD*	*< 30 days* *KD*	*30 – 60 days* *KD*	*> 60 days* *KD*	*Total* *KD*
2017	**3,094,276**	**425,396**	**695,399**	**1,582,756**	**5,797,827**
2016	2,310,304	446,221	726,834	1,803,436	5,286,795

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. These relate to a number of independent customers for whom there is no recent history of default.

Other classes of financial assets within accounts receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

10 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of the following:

	2017 *KD*	*2016* *KD*
Cash at banks and on hand	**1,578,659**	542,734
Term deposits	**3,930,000**	4,230,000
Total cash and short term deposits	**5,508,659**	4,772,734
Less: Bank overdrafts	**(31,224)**	(155,500)
Less: Term deposits whose original maturity is more than 3 months	**(60,000)**	(380,000)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**5,417,435**	4,237,234

Term deposits with maturity of three months or less are subject to an insignificant risk of changes in value. These are placed with local financial institutions and earn interest at commercial rates.

Term deposits of Nil (2016: KD 160,000) whose maturity is more than one year has been classified as non-current assets in the consolidated statement of financial position. Included within this balance are restricted deposits of KD 36,000 (2016: KD 36,000) with a local financial institution which is not available for use in the Group's day-today operations. The average effective interest rate of these deposits are 1.6% (2016: 1.4%) per annum.

Bank overdraft carries interest at commercial rates. The bank overdraft facility is unsecured.

11 SHARE CAPITAL AND DIVIDEND

	Authorized, issued and fully paid	
	2017 *KD*	*2016* *KD*
Shares of 100 fils each, paid in cash	**10,146,213**	8,455,178

Bonus shares
At the Annual General Assembly meeting dated 6 June 2017, the shareholders of the Parent Company approved the distribution of bonus shares in the ratio of two shares for every ten shares amounting to KD 1,691,035 (2016: one share for every ten shares amounting to KD 768,653) in the same proportion as their existing shareholding.

At the Extraordinary General Meeting dated 6 June 2017, the shareholders of the Parent Company approved the increase in authorised share capital from 84,551,775 shares of 100 fils each to 101,462,130 shares of 100 fils each.

The legal formalities in respect of the increase in authorised share capital on account of bonus shares issue were completed on 19 July 2017.

12 RESERVES

a) Statutory reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS, NLST, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No transfers were made during the year as the Parent Company has incurred losses for the current year.

12 RESERVES (continued)

b) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association a maximum of 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the annual general assembly of the Parent Company upon a recommendation by the Board of Directors. There is no restriction on distribution of the voluntary reserve. No transfers were made during the year as the Parent Company has incurred losses for the current year.

13 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognized in the consolidated statement of financial position is as follows:

	2017 *KD*	*2016* *KD*
Provision as at 1 January	**700,989**	739,283
Charge for the year	**143,687**	83,451
Transferred from/(to) other payables	**1,814**	(16,521)
Employees end of service benefits paid	**(104,085)**	(105,224)
Provision as at 31 December	**742,405**	700,989

14 ACCOUNTS PAYABLE AND ACCRUALS

	2017 *KD*	*2016* *KD*
Trade payables	**2,392,109**	1,633,354
Amounts due to related parties (Note 17)	**498,573**	861,781
KFAS, NLST and Zakat payable	**28,968**	34,373
Accrued expenses	**1,089,564**	1,413,408
Advances from customers	**73,812**	81,403
Other payables	**227,925**	235,451
	4,310,951	4,259,770

Trade payables bear no interest and are normally settled within 90 days from the date of purchase.

15 CONTINGENT LIABILITIES

At 31 December 2017 the Group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 306,000 (2016: KD 306,000).

16 COMMITMENTS

Operating lease commitments – Group as a lessee

The Group has entered into operating lease for the leasehold land with a lease term of five years, which is renewable indefinitely, head office space for the Group and certain machinery and equipment.

16 COMMITMENTS (continued)

Operating lease commitments – Group as a lessee (continued)

At the reporting date, the future minimum rentals payable under non-cancellable operating leases is as follows:

	2017 KD	*2016 KD*
Future minimum lease payments:		
Within one year	**130,167**	108,159
After one year but not more than five years	**11,700**	-
	141,867	108,159

17 TRANSACTIONS WITH RELATED PARTIES

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

Significant transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2017 KD	*2016 KD*
Cost of goods sold	**6,889,955**	8,624,454
Administrative expenses	**34,932**	56,629
Finance costs	**54,155**	59,997

Balances with related parties included in the consolidated statement of financial position are as follows:

	2017 KD			*2016 KD*		
	*Associate**	*Other related parties*	***Total***	*Associate**	*Other related parties*	*Total*
Amounts due from related parties						
Accounts receivable and prepayments (Note 9)	15,228	780	**16,008**	15,228	780	16,008
Amounts due to related parties						
Accounts payables and accruals (Note 14)	-	498,573	**498,573**	-	861,781	861,781
Loan from a related party	-	1,082,900	**1,082,900**	-	1,082,900	1,082,900

* This balance is due from an associate and is receivable on demand. The investment in associate has been impaired in the prior years.

Loan from a related party carries an interest of 5% (2016: 5%) per annum and will be settled after 1 year from the reporting date and consequently it is classified as non-current liabilities in the consolidated statement of financial position.

Amounts due from/due to related parties represents transactions with related parties in the normal course of business. Amounts due from/to related parties stated in the consolidated statement of financial position are receivable/payable on demand and do not carry any interest. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. There have been no guarantees provided or received for any related party receivables or payables.

17 TRANSACTIONS WITH RELATED PARTIES (continued)

Compensation of key management personnel
The remuneration of directors and other members of key management during the year is as follows:

	2017 *KD*	*2016* *KD*
Salaries and short-term benefits	**261,561**	242,560
Employees' end of service benefits	**69,487**	6,485
	331,048	249,045

Directors' fees of KD 25,498 for the year ended 31 December 2017 (2016: KD 8,000) are subject to approval by the AGM of the shareholders of the Parent Company. Directors' fees of KD 8,000 for the year ended 31 December 2016 were approved by the shareholders in the AGM held on 6 June 2017.

18 MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of the subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name of the company	**Country of incorporation**	*2017*	*2016*
Al Mahaliya Ready Mix Concrete Company W.L.L. and its subsidiaries	Kuwait	**49%**	49%
Accumulated balances of material non-controlling interests		**2,405,116**	2,374,816
Profit allocated to material non-controlling interests		**30,300**	14,985

The summarized consolidated financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of comprehensive income:

	2017 *KD*	*2016* *KD*
Sale of goods	**13,355,331**	15,092,726
Cost of goods sold	**(12,606,208)**	(14,519,917)
Administrative expenses	**(571,756)**	(412,961)
Finance costs	**(115,531)**	(129,267)
Total profit and comprehensive income	**61,836**	30,581
Attributable to non-controlling interests	**30,300**	14,985

18 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised consolidated statement of financial position:

	2017 *KD*	*2016* *KD*
Accounts receivable and prepayments (current)	**4,984,737**	4,066,410
Inventories and bank balances and cash (current)	**1,308,293**	437,294
Property, plant and equipment and other non-current assets (non-current)	**7,409,289**	7,891,125
Accounts payable and accruals (current)	**(6,024,237)**	(4,664,215)
Bank overdrafts (current)	**(31,224)**	(155,500)
Amounts due from related parties (non-current)	**(2,210,000)**	(2,210,000)
Other non-current liabilities (non-current)	**(528,460)**	(518,552)
Total equity	**4,908,398**	4,846,562
Attributable to:		
Equity holders of the Parent Company	**2,503,282**	2,471,746
Non-controlling interests	**2,405,116**	2,374,816

Summarised cash flow information:

	2017 *KD*	*2016* *KD*
Operating	**1,180,833**	(475,912)
Investing	**80**	512,722
Financing	**(115,531)**	(922,834)
Net increase (decrease) in cash and cash equivalents	**1,065,382**	(886,024)

19 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services, and has two reportable operating segments i.e. trading units and manufacturing units. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss.

19 SEGMENT INFORMATION (continued)

The following table presents revenue, segment results, assets and liabilities information in respect of the Group's business segments:

2017	*Trading units KD*	*Manufacturing units KD*	*Total KD*	*Adjustments and eliminations KD*	*Consolidated KD*
Revenue					
External customers	5,771,952	12,456,328	18,228,280	-	18,228,280
Inter-segment	3,610,002	-	3,610,002	(3,610,002)	-
Intra-segment	-	899,003	899,003	(899,003)	-
Total revenue	9,381,954	13,355,331	22,737,285	(4,509,005)	18,228,280
Depreciation	476,251	481,836	958,087	-	958,087
Segment results	(930,784)	61,836	(868,948)	-	(868,948)
Segment assets	15,685,327	13,702,319	29,387,646	(8,181,249)	21,206,397
Segment liabilities	1,579,055	8,793,923	10,372,978	(4,205,498)	6,167,480
Contingent liabilities	200,000	106,000	306,000	-	306,000
Goodwill	-	4,179,257	4,179,257	-	4,179,257

2016	*Trading units KD*	*Manufacturing units KD*	*Total KD*	*Adjustments and eliminations KD*	*Consolidated KD*
Revenue					
External customers	7,221,597	13,539,561	20,761,158	-	20,761,158
Inter-segment	4,280,738	-	4,280,738	(4,280,738)	-
Intra-segment	-	1,553,165	1,553,165	(1,553,165)	-
Total revenue	11,502,335	15,092,726	26,595,061	(5,833,903)	20,761,158
Depreciation	608,164	534,900	1,143,064	-	1,143,064
Segment results	135,958	30,581	166,539	-	166,539
Segment assets	17,449,192	17,442,273	34,891,465	(12,758,943)	22,132,522
Segment liabilities	2,386,641	7,548,267	9,934,908	(3,735,749)	6,199,159
Contingent liabilities	200,000	106,000	306,000	-	306,000
Goodwill	-	5,047,444	5,047,444	-	5,047,444

20 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2017 KD	***Cash flows KD***	***31 December 2017 KD***
Loan from a related party	**1,082,900**	**-**	**1,082,900**

	1 January 2016 KD	*Cash flows KD*	*31 December 2016 KD*
Loan from a related party	1,327,900	(245,000)	1,082,900

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and exposure to market risk which is limited to interest rate risk and foreign exchange risk as the Group does not have equity instruments.

The Group's principal financial liabilities comprise of accounts payable and loan from a related party. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as bank balance and cash, term deposit and accounts receivable which are directly from its operations. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2017 and 31 December 2016.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

21.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises in the Group's normal course of business. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Collateral and other credit enhancements

The Group does not hold any collateral or other credit enhancements as a security against any of the major financial assets at 31 December 2017 and 31 December 2016 except for bank guarantees arising in the ordinary course of business obtained for certain customers amounting to KD 300,000 (2016: KD 315,000) from which it is anticipated that no material liabilities will arise.

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and with customers in various industries. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's 5 largest customers account for 26% (2016: 28%) of outstanding trade accounts receivable at 31 December 2017.

With respect to credit risk arising from the other financial assets of the Group, which comprise term deposit and bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Bank balances are placed with financial institutions of appropriate credit ratings.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a regular basis and periodically assess the financial viability of the receivables.

The Group's terms of sales normally require amounts to be paid within 30 - 90 days from the date of sale. Accounts payable are normally settled within 90 days from the date of purchase, except for amounts due to overseas suppliers, which are settled within 5 – 25 days by direct payment.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December, based on contractual undiscounted payments.

At 31 December 2017	***On demand KD***	***Less than 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
Loan from a related party	**-**	**108,300**	**-**	**1,082,900**	**1,191,200**
Accounts payable and accruals*	**5,707**	**3,420,942**	**28,968**	**-**	**3,455,617**
Bank overdrafts	**31,224**	**-**	**-**	**-**	**31,224**
	36,931	**3,529,242**	**28,968**	**1,082,900**	**4,678,041**

At 31 December 2016	*On demand KD*	*Less than 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Loan from a related party	-	114,142	-	1,082,900	1,197,042
Accounts payable and accruals*	7,030	2,993,841	34,373	-	3,035,244
Bank overdraft	155,500	-	-	-	155,500
	162,530	3,107,983	34,373	1,082,900	4,387,786

* Accounts payable and accruals excludes provisions and advances from customers.

21.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

21.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its term deposits and bank overdrafts.

Loan from a related party is set at a fixed interest rate and hence the Group is not exposed to interest rate risk.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk (continued)

21.3.1 Interest rate risk (continued)

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	Change in interest rates by (+/- 100 basis points) *Effect on profit before board of directors' remuneration and tax*	
	2017	*2016*
	KD	*KD*
Kuwaiti Dinars	**28,159**	40,745

An equal change in the opposite direction would have an equal but opposite effect.

21.3.2 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is mainly exposed to foreign currency risk on its bank balance, due from related parties and accounts payable. The Group manages its currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements.

The Group has the following foreign currency exposure as at 31 December.

	2017	*2016*
	KD	*KD*
USD	**(437,541)**	(793,067)
Euro	**(6,331)**	(27,416)

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD current rate against foreign currencies, with all other variable held constant, on the consolidated statement of comprehensive income (due to fair value currency sensitive monetary assets and liabilities). There is no direct impact on the other comprehensive income.

	Increase(decrease) in percentage (+/-)	*Effect on profit before board of directors' remuneration and tax*	
		2017	*2016*
		KD	*KD*
USD	5%	**(21,877)**	(39,653)
Euro	5%	**(317)**	(1,371)

An equal change in the opposite direction would have an equal but opposite effect.

21.4 Operation risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

22 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, loan from a related party, trade and other payables, less cash and term deposits, net of bank overdrafts. Capital represents total equity attributable to equity holders of the Parent Company.

	2017	*2016*
	KD	*KD*
Loan from a related party	**1,082,900**	1,082,900
Accounts payable and accruals	**3,147,575**	2,764,959
Less: Cash and term deposits, net of bank overdrafts	**(5,477,435)**	(4,617,234)
Net debt	**(1,246,960)**	(769,375)
Capital (total equity attributable to equity holders of the Parent Company)	**13,966,730**	14,891,476
Capital and net debt	**12,719,770**	14,122,101
Gearing ratio	**(9.8%)**	(5.4%)

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of trade receivables, receivables from related parties, term deposits and bank balances and cash. Financial liabilities consist of trade and other payables, loan from a related party and bank overdrafts.

The management assessed that the fair values of financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.