Consolidated financial statements and independent auditors' report

Gulf Cable and Electrical Industries Company – KPSC

and Subsidiaries

Kuwait

31 December 2017

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Independent auditors' report

To the Shareholders of
Gulf Cable and Electrical Industries Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Cable and Electrical Industries Company - KPSC ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Revenue recognition

The Group recognizes revenue 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 payment is made. This is an area of audit focus as management assumptions are required to apply the revenue recognition criteria to each separately identifiable component of revenue. This can result in circumstances which require careful consideration to determine how revenue should be recognised.

Independent Auditors' Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)

Revenue recognition (continued)

Our audit procedures included testing the operating effectiveness of associated internal controls and performing substantive audit procedures.

We performed analytical reviews and reviewed management accounts to identify any material new revenue streams. Our testing procedures included reviewing customer contracts, checking delivery records and price lists, and checking that the recognition criteria of IFRS were met. We also assessed the adequacy of the Group's disclosures of its revenue recognition policy, the judgements involved and other related disclosures.

The Group's disclosures about revenue recognition policy are included in Note 5.3.

Revenue by segment is disclosed in Note 26.

Inventories and cost of inventories

Inventories are a significant balance of the Group's total assets which comprise raw materials, finished goods, work in progress and spare parts. Recognition of the value of inventories is subject to global price fluctuations, particularly those associated with copper prices and, consequently, prices of finished goods. This may lead to potential assumptions on full recoverability of the value of those inventories.

Our audit procedures included testing of the Group's internal controls over the movement of the incoming and outgoing inventories and the period end balances; agreeing the cost of inventories on a sample basis with the relevant documents such as purchase invoices; considering and testing the calculation of the other overhead costs absorbed into inventory; reviewing the relationship between the carrying value of inventory and the cost of production during the period in which the inventory was produced. We also considered the provisioning levels recorded in the light of net sales values actually achieved at the year end and those that will likely be achieved later and comparing that with the quoted prices of materials. We also considered the appropriateness of disclosures in relation to inventories in the consolidated financial statements. The Group's disclosures about its inventories are included in Note (13).

Trade accounts receivables

The group has significant trade accounts receivable from credit sale transactions with customers and under the current economic conditions and due to the profile and nature of the Group's customers, the risk of customers' failure to pay their remaining debts remains a significant risk that requires judgmental estimates.

Our audit procedures included testing the Group's controls over the receivables' collection processes; considering the receipt of cash after the year end; and testing the adequacy of the Group's provisions against the doubtful trade receivables and assessing the relevant assumptions, taking into account our own knowledge of the Group's experience in the collections of this industry's receivables and also historical data from the Group's previous collections experience. We have also considered the adequacy of the Group's disclosures in this area. The Group's disclosures about its trade accounts receivable and other assets are included in Note (14).

Valuation of unquoted available for sale financial assets

The Group's investments in unquoted available for sale financial assets represent a significant balance of the Group's total assets. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. Therefore, there is a measurement uncertainty involved in this valuation. As a result, the valuation of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions.

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations. The Group's disclosures about its available for sale financial assets are included in Note 12.

Independent Auditors' Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)

Other information included in the Group's Annual Report for the year ended 31 December 2017
Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2017, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report to the Shareholders of Gulf Cable and Electrical Industries Company – KPSC (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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Member of MAZARS

Kuwait
27 March 2018

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue			
Sales		59,975,202	87,488,491
Cost of sales		(49,515,574)	(75,602,142)
Gross profit		10,459,628	11,886,349
Investment income	9	6,123,691	3,980,181
Interest income		8,882	14,336
Other income		36,269	80,715
Foreign currency exchange gain		513,311	470,510
		17,141,781	16,432,091
Expenses and other charges			
General and administrative expenses		(3,851,635)	(2,891,163)
Commercial expenses		(1,780,563)	(1,832,673)
Impairment of available for sale investments	12	(461,491)	(1,792,860)
Provision for obsolete and slow moving inventories - net	13	(632,052)	(587,892)
Provision for doubtful debts - net	14	(689,715)	(823,729)
Finance costs		(820,209)	(1,123,891)
		(8,235,665)	(9,052,208)
Profit before income tax		8,906,116	7,379,883
Income tax relating to overseas subsidiary		(11,912)	-
Profit before provisions of contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		8,894,204	7,379,883
Provision for contribution to KFAS		(88,783)	(57,054)
Provision for NLST		(162,124)	(121,642)
Provision for Zakat		(62,850)	(47,657)
Provision for directors' remuneration		(310,000)	(310,000)
Profit for the year	8	8,270,447	6,843,530
Profit for the year attributable to:			
Owners of the parent company		8,254,561	6,862,871
Non-controlling interests		15,886	(19,341)
Profit for the year		8,270,447	6,843,530
Basic and diluted earnings per share attributable to the owners of the parent company	10	39 Fils	33 Fils

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Profit for the year		**8,270,447**	6,843,530
Other comprehensive income/(loss):			
Items that will be reclassified subsequently to consolidated statement of profit or loss:			
Exchange differences arising on translation of foreign operations		**(189,336)**	69,428
Available for sale investments:			
- Net change in fair value arising during the year	12	**5,289,859**	7,414,080
-Transferred to consolidated statement of profit or loss on sale		**328,731**	439,568
-Transferred to consolidated statement of profit or loss on impairment		**461,491**	1,792,860
Total other comprehensive income		**5,890,745**	9,715,936
Total comprehensive income for the year		**14,161,192**	16,559,466
Total comprehensive income/(loss) attributable to:			
Owners of the parent company		**14,155,719**	16,574,989
Non-controlling interests		**5,473**	(15,523)
		14,161,192	16,559,466

The notes set out on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2017 KD	31 Dec. 2016 KD
Assets			
Non-current assets			
Property, plant and equipment	11	**5,563,131**	6,225,700
Available for sale investments	12	**98,786,106**	103,234,598
		104,349,237	109,460,298
Current assets			
Inventories	13	**45,328,526**	34,986,114
Trade accounts receivable	14	**18,081,216**	26,310,869
Other receivables and prepayments	15	**4,103,641**	818,751
Cash and bank balances	16	**6,007,315**	5,618,100
		73,520,698	67,733,834
Total assets		**177,869,935**	177,194,132
Equity and liabilities			
Equity			
Share capital	17	**20,993,131**	20,993,131
Share premium	18	**29,160,075**	29,160,075
Statutory reserve	19	**20,993,131**	20,993,131
Voluntary reserve	19	**20,993,131**	20,993,131
General reserve	19	**24,729,315**	23,841,483
Other components of equity	20	**16,373,288**	10,472,130
Retained earnings		**7,766,602**	4,598,499
Total equity attributable to the owners of the parent company		**141,008,673**	131,051,580
Non-controlling interests		**446,645**	441,172
Total equity		**141,455,318**	131,492,752
Non-current liabilities			
Provision for employees' end of service benefits		**2,932,304**	2,494,655
Current liabilities			
Current portion of long term loan	21	-	3,691,200
Trade accounts payable		**2,511,854**	1,711,734
Other payables and accruals	22	**7,571,325**	7,462,225
Short term loans	23	**9,114,000**	17,728,000
Murabaha payables	24	**14,277,514**	12,601,410
Due to banks	16	**7,620**	12,156
		33,482,313	43,206,725
Total liabilities		**36,414,617**	45,701,380
Total equity and liabilities		**177,869,935**	177,194,132

Bader Naser Al-Kharafi
Chairman

The notes set out on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the parent company									
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 20) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2017	20,993,131	29,160,075	20,993,131	20,993,131	23,841,483	10,472,130	4,598,499	131,051,580	441,172	131,492,752
Cash dividend (note 25)	-	-	-	-	-	-	(4,198,626)	(4,198,626)	-	(4,198,626)
Transactions with owners	-	-	-	-	-	-	(4,198,626)	(4,198,626)	-	(4,198,626)
Profit for the year	-	-	-	-	-	-	8,254,561	8,254,561	15,886	8,270,447
Other comprehensive income/(loss)	-	-	-	-	-	5,901,158	-	5,901,158	(10,413)	5,890,745
Total comprehensive income for the year	-	-	-	-	-	5,901,158	8,254,561	14,155,719	5,473	14,161,192
Transfer to general reserve	-	-	-	-	887,832	-	(887,832)	-	-	-
Balance at 31 December 2017	20,993,131	29,160,075	20,993,131	20,993,131	24,729,315	16,373,288	7,766,602	141,008,673	446,645	141,455,318

The notes set out on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the parent company									
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (Note 20) KD	(Accumulated losses)/ retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2016	20,993,131	29,160,075	20,993,131	20,993,131	23,270,944	760,012	(1,693,833)	114,476,591	456,695	114,933,286
Profit/(loss) for the year	-	-	-	-	-	-	6,862,871	6,862,871	(19,341)	6,843,530
Other comprehensive income	-	-	-	-	-	9,712,118	-	9,712,118	3,818	9,715,936
Total comprehensive income/(loss) for the year	-	-	-	-	-	9,712,118	6,862,871	16,574,989	(15,523)	16,559,466
Transfer to general reserve	-	-	-	-	570,539	-	(570,539)	-	-	-
Balance at 31 December 2016	20,993,131	29,160,075	20,993,131	20,993,131	23,841,483	10,472,130	4,598,499	131,051,580	441,172	131,492,752

The notes set out on pages 11 to 44 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
		KD	KD
OPERATING ACTIVITIES			
Profit for the year		8,270,447	6,843,530
Adjustments:			
Depreciation		1,382,268	1,589,733
Provision for employees' end of service benefits		625,523	265,821
Finance costs		820,209	1,123,891
Interest income		(8,882)	(14,336)
Dividend income		(4,788,455)	(4,493,366)
Other investment income		(132,882)	(42,804)
(Gain)/loss on sale of available for sale of investments		(1,289,227)	570,973
Impairment of available for sale investments		461,491	1,792,860
Loss/(gain) on sale/disposal of property, plant and equipment		20	(699)
Provision for doubtful debts - net		689,715	823,729
Provision for obsolete and slow moving inventories - net		632,052	587,892
Foreign exchange (gain)/loss on non-operating liabilities		(303,648)	166,271
		6,358,631	9,213,495
Changes in operating assets and liabilities:			
Inventories		(10,974,464)	9,865,547
Trade accounts receivable		7,539,938	(8,471,807)
Other receivables and prepayments		(3,221,119)	659,664
Trade accounts payable		800,120	(1,675,724)
Other payables and accruals		(34,607)	1,471,479
Employees' end of service benefits paid		(187,874)	(263,710)
Net cash from operating activities		280,625	10,798,944
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(775,139)	(234,660)
Proceeds from sale of property, plant and equipment		-	700
Purchase of available for sale investments		(9,691,345)	(1,195,608)
Proceeds from sale of available for sale investments		21,047,654	1,332,462
Dividend income received		4,788,455	4,419,585
Other investment income received		69,111	38,791
Interest income received		8,882	13,281
Net cash from investing activities		15,447,618	4,374,551
FINANCING ACTIVITIES			
Payment of cash dividend		(4,084,275)	(80,451)
Proceeds from term loans		5,000,000	14,500,000
Repayment of term loans		(17,157,000)	(25,913,863)
Receipt of murabaha payables		4,623,612	2,505,329
Repayment of murabaha payables		(2,792,060)	(2,462,575)
Finance costs paid		(790,853)	(1,103,055)
Net movement in time deposit blocked against a letter of guarantee issued		(43,780)	(3,500,000)
Net cash used in financing activities		(15,244,356)	(16,054,615)
Increase/(decrease) in cash and cash equivalents		483,887	(881,120)
Foreign currency adjustment		(133,916)	32,698
Cash and cash equivalents at beginning of the year	16	2,105,944	2,954,366
Cash and cash equivalents at end of the year	16	2,455,915	2,105,944
Non cash transactions:			
Available for sale investments		-	(73,781)
Dividend income		-	73,781

The notes set out on pages 11 to 44 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Gulf Cable and Electrical Industries Company – KPSC ("the parent company") is a registered Kuwaiti Public Shareholding Company, which was established on 15 March 1975. The shares of the parent company are listed on Kuwait Stock Exchange.

The group comprises the parent company and its subsidiaries (Note 7).

Objectives for which the parent company was incorporated are as follows:

1- Produce all kinds of electrical and telephone cables of various sizes and varieties;
2- Produce all kinds of electric and telephone wires of various sizes and varieties;
3- Produce the wires necessary for the production of light bulbs;
4- Produce light bulbs of all varieties and sizes after obtaining the necessary license from the Public Authority for Industry;
5- Manufacture electrical transformers, switches and distribution panels after obtaining the necessary license from the Public Authority for Industry;
6- Various manufacturing relating to power equipment and tools for industrial or household purposes after obtaining the necessary license from the Public Authority for Industry;
7- Produce all kinds of aluminum chips and nylon covering rolls of various sizes and varieties after obtaining the necessary license from the Public Authority for Industry;
8- Produce copper bars which are used in the production of electrical and telephone cables after obtaining the necessary license from the Public Authority for Industry;
9- Trade in all kinds of these products;
10- Import machinery, plant, equipment and tools necessary to achieve the company's objectives;
11- Import the raw materials for this industry;
12- Invest the surplus funds in investment portfolios in order to serve the company's objectives.

The parent company may have interest or participate in any aspect in the entities which practice similar activities or which may assist it in the achievement of its objectives in Kuwait and abroad. The parent company may also purchase these entities or affiliate them therewith.

The address of the parent company's registered office is PO Box 1196, Safat 13012, State of Kuwait.

The Parent Company has amended its articles in accordance with Law No. (1) of 2016.

These consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the board of directors of the parent company on 27 March 2018 and are subject to the approval of the General Assembly of the shareholders.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the parent company.

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes).

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The application of the amendments did not have any impact on the consolidated financial statements of the group.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B10-B16) apply to an entity's interests in a subsidiary, joint venture or an associate irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The application of the amendments did not have any impact on the consolidated financial statements of the group as none of the group entities are classified as, or included in disposal group that is classified as held for sale.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 Financial Instruments: Classification and Measurement
The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace AS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of expected impact are as follows:

- the classification and measurement of the financial assets based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

Based on the analysis of the group's financial assets and liabilities as at 31 December 2017 and of the circumstances that existed at that date, management of the parent company have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the group as follows:

Classification and measurement:
Management holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

Classification and measurement: (continued)
Equity investments are to be measured at FVTPL as well as FVTOCI as certain existing investments in equity instruments qualify for designation as FVTOCI category. The gains and losses on these investments will no longer be transferred to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

As a result of new classifications, Equity investments amounting to KD98,786,104 will be reclassified from Available for Sale to FVOCI and will result in reversal of previously recognised impairment losses amounting to KD35,007,677related to these investments from retained earnings to the fair value reserve and Equity investments amounting to KD2 will be reclassified from available for sale to FVTPL.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

There is no impact on the financial liabilities of the group and will continue to be measured at amortised cost.

Impairment:
The group expects to apply simplified approach to impairment for trade accounts receivable and other financial assets as required or permitted under the standard.

The management is in the process of assessing the impact of this approach and does not expect any material impact to the consolidated financial statements from applying this simplified approach.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

Management does not anticipate that the application of the standard in the future will have a significant impact on the group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (continued)
Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The group's financial statements consolidate those of the parent company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting date 31 December using consistent accounting policies. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

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

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the group gains control, or until the date the group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

- Reclassifies the parent's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the group has directly disposed of the related assets or liabilities.

5.2 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of profit or loss or as change to consolidated statement of profit or loss and other comprehensives income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within consolidated statement of profit or loss and other comprehensive income.

5.3 Revenue

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 payment is made.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.3.1 Sale of goods

Sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods. Revenue arises from the sale of goods and is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.3 Revenue (contiuned)

5.3.2 Interest income
Interest income is recognised on an accrual basis using the effective interest method.

5.3.3 Dividend income
Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

5.4 Operating expenses
Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.5 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.6 Taxation

5.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve and any accumulated losses should be excluded from profit for the year when determining the contribution.

5.6.2 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting directors' remuneration for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.6.3 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.

5.6.4 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

5.7 Property, plant and equipment

5.7.1 Land
Land held for use in production or administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

5.7.2 Buildings, vehicles and other equipment
Buildings, vehicles and other equipment (comprising plant and machinery, furniture and agriculture farm and related facilities) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.7 Property, plant and equipment (continued)

5.7.2 Buildings, vehicles and other equipment (continued)

Buildings, vehicles other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, vehicles and other equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

The following useful lives are applied:

- Buildings: 20 to 25 years
- Plant and machinery: 10 years
- Vehicles, furniture and equipment: 4 to 10 years
- Agriculture farm and related facilities: 5 to 10 years.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.8 Financial instruments

5.8.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

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

- rights to receive cash flows from the assets have expired;
- 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 risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- available-for-sale (AFS) financial assets.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The group categorises loans and receivables into following categories:

Trade accounts receivable

Trade account receivables are stated at original invoice amount less allowance 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 as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, together with cash in portfolios and time deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to banks.

- ***AFS financial assets***

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.2 Classification and subsequent measurement of financial assets (continued)

- *AFS financial assets (continued)*

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.8.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include borrowings, murabaha payables, trade payables, other payables and accruals.

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

Borrowings
All borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Murabaha payables
Murabaha payables represent amount payable on deferred settlement basis for assets purchases under murabaha arrangements. Murabaha payables are stated at the total amount payable, less deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking account of the borrowing rate attributable and the balance outstanding.

Trade payables, other payables and accruals
Trade payables, other payables and accruals are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

5.9 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.10 Offsetting of financial instruments

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.11 Amortised cost of financial instruments
This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.12 Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

5.13 Impairment testing of non-financial assets
An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and assets specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. This impairment is subsequently reversed until the asset returns to its carrying value.

5.14 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.15 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' law and the parent company's articles of association.

General reserve comprises appropriations of current and prior period profits.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.15 Equity, reserves and dividend payments (continued)

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign subsidiaries into Kuwait Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale financial assets.

Retained earnings includes all current and prior period retained profits/(losses). All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.16 Related party transactions

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

5.17 Employees' end of service benefits

The group provides end of service benefits to 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 in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

5.18 Foreign currency translation

5.18.1 Functional and presentation currency

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

5.18.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.18.3 Foreign operations

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.18 Foreign currency translation (continued)

5.18.3 Foreign operations (continued)

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On sale of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on sale.

5.19 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.20 Segment reporting

The group has two operating segments: the cable manufacture and investment segments. In identifying these operating segments, management generally follows the group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

6 Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are classified as at fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 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 judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of available for sale investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

During the year ended 31 December 2017, impairment loss recognised for available for sale investments amounted to KD461,491 (2016: KD1,792,860).

6.2.2 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.3 Impairment of trade receivables

An estimate of the collectible amount of trade 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 a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.3 Impairment of trade receivables (continued)
During the year ended 31 December 2017, the group recognised a provision for doubtful debt - net amounting to KD689,715 (2016: KD823,729).

6.2.4 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 historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

During the year ended 31 December 2017, the group recognised a provision for obsolete and slow moving inventories - net amounting to KD632,052 (2016: KD587,892).

6.2.5 Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain property, plant and equipment.

7 Subsidiary companies

Details of group's consolidated subsidiaries at the end of the reporting period are as follows:

Subsidiaries' name	Country of incorporation	Ownership Percentage		Principal activities
		31 Dec. 2017	31 Dec. 2016	
Gulf Cable and Multi Industries Company – JSC	Jordan	**94.5%**	94.5%	Manufacture and supply of electrical cables and related products and holding investments.
Hawraa Regional General Trading & Contracting Co. WLL ("Hawra")	Kuwait	**97.3%**	97.3%	General Trading and Contracting

The group's subsidiary "Hawra" has not commenced its activities as of the date of these consolidated financial statements.

Non-controlling interests of the above subsidiaries are not individually material to the group.

The group has no interests in unconsolidated structural entities.

Notes to the consolidated financial statements (continued)

8 Profit for the year

Profit for the year is stated after charging:

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Staff costs (note 8 - a)	7,345,180	6,623,822
Depreciation (note 8 - b)	1,382,268	1,589,733

a. Staff costs for the year have been allocated as follows:

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Cost of sales	3,753,730	3,782,892
General and administrative expenses	2,742,421	2,033,326
Commercial expenses	849,029	807,604
	7,345,180	6,623,822

b. Depreciation for the year has been allocated as follows:

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Cost of sales	1,234,304	1,448,959
General and administrative expenses	136,770	131,192
Commercial expenses	11,194	9,582
	1,382,268	1,589,733

9 Investment income

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Dividend income from available for sale investments	4,788,455	4,493,366
Other investment income	132,882	42,804
Gain/(loss) on sale of available for sale investments (note 12)	1,289,227	(570,973)
Foreign currency exchange (loss)/gain	(86,873)	14,984
	6,123,691	3,980,181

10 Basic and diluted earnings per share attributable to the owners of the parent company

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the parent company by weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Profit for the year attributable to the owners of the parent company (KD)	8,254,561	6,862,871
Weighted average shares outstanding during the year (shares)	209,931,309	209,931,309
Basic and diluted earnings per share attributable to the owners of the parent company	39 Fils	33 Fils

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
31 December 2017							
Cost							
At 1 January 2017	298,202	8,371,623	27,514,686	3,138,007	391,712	111,973	39,826,203
Additions	-	5,797	35,320	97,897	-	636,125	775,139
Transfers from assets under construction	-	66,756	179,355	23,455	-	(269,566)	-
Disposals	-	-	-	(46,028)	-	-	(46,028)
Foreign currency adjustment	(6,738)	(24,498)	(234,626)	(15,340)	(8,852)	(69)	(290,123)
At 31 December 2017	291,464	8,419,678	27,494,735	3,197,991	382,860	478,463	40,265,191
Accumulated depreciation							
At 1 January 2017	-	6,322,760	24,730,432	2,532,555	14,756	-	33,600,503
Charge for the year	-	186,304	976,774	217,425	1,765	-	1,382,268
Relating to disposals	-	-	-	(46,008)	-	-	(46,008)
Foreign currency adjustment	-	(10,516)	(212,712)	(11,094)	(381)	-	(234,703)
At 31 December 2017	-	6,498,548	25,494,494	2,692,878	16,140	-	34,702,060
Net book value							
At 31 December 2017	291,464	1,921,130	2,000,241	505,113	366,720	478,463	5,563,131

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment (continued)

	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
31 December 2016							
Cost							
At 1 January 2016	295,711	8,348,266	26,770,639	2,957,252	385,543	731,098	39,488,509
Additions	-	14,300	17,733	162,510	2,921	37,196	234,660
Transfers from assets under construction	-	-	643,810	16,711	-	(660,521)	-
Disposals	-	-	-	(4,125)	-	-	(4,125)
Foreign currency adjustment	2,491	9,057	82,504	5,659	3,248	4,200	107,159
At 31 December 2016	298,202	8,371,623	27,514,686	3,138,007	391,712	111,973	39,826,203
Accumulated depreciation							
At 1 January 2016	-	6,141,009	23,475,273	2,315,100	13,083	-	31,944,465
Charge for the year	-	178,602	1,190,956	218,615	1,560	-	1,589,733
Relating to disposals	-	-	-	(4,124)	-	-	(4,124)
Foreign currency adjustment	-	3,149	64,203	2,964	113	-	70,429
At 31 December 2016	-	6,322,760	24,730,432	2,532,555	14,756	-	33,600,503
Net book value							
At 31 December 2016	298,202	2,048,863	2,784,254	605,452	376,956	111,973	6,225,700

The parent company's buildings are constructed on lands leased from the Public Authority for Industry on long-term leases for periods of 5 years renewable for similar period.

Assets under construction represent the cost incurred on construction of facilities, property and equipment. During the year, certain plant and machinery which were completed and ready for their intended use were capitalized in the appropriate categories.

Notes to the consolidated financial statements (continued)

12 Available for sale investments

The components of available for sale investments are as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Local quoted securities held through managed portfolios	52,300,886	59,104,579
Local unquoted securities held through managed portfolios	5,672,831	6,295,164
Foreign quoted securities held through managed portfolios	13,021,229	9,613,806
Foreign unquoted securities held through managed portfolios	446,397	446,397
Foreign unquoted securities	25,264,664	25,527,867
Local unquoted securities	8,185	44,414
Local managed fund	2,071,913	1,895,193
Foreign managed funds	1	307,178
	98,786,106	103,234,598

The movement of the available for sale investments during the year is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	103,234,598	96,014,996
Additions	9,691,345	1,269,389
Disposal	(19,429,696)	(1,463,867)
Net change in fair value arising during the year	5,289,859	7,414,080
	98,786,106	103,234,598

During the year, the group sold available for sale investments with a total carrying value of KD19,758,427 (2016: KD1,903,435) for a total consideration of KD21,047,654 (2016: KD1,332,462) resulting into a gain of KD1,289,227 (2016: loss of KD570,973) recognized in consolidated statement profit or loss.

During the year the group recognised an impairment loss of KD461,491 (31 December 2016: KD1,792,860) in respect of certain available for sale investments.

Local and foreign unquoted securities held through managed portfolios by third parties and unquoted securities include investments amounting to KD589,368 (31 December 2016: KD1,826,866) stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of other financial information to arrive at a reliable measure of fair value. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

Managed funds include investments in units of private equity funds amounting to KD2,071,914 (31 December 2016: KD2,202,371). Fair value of these investments are determined using net asset values reported by the investment managers and the management believes that these represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

13 Inventories

	31 Dec. 2017 KD	31 Dec. 2016 KD
Raw materials	18,049,328	15,185,142
Finished goods	15,350,511	11,549,849
Work in progress	6,203,449	5,548,379
Spare parts	1,956,088	1,942,894
	41,559,376	34,226,264
Less: provision for obsolete and slow moving inventories	(1,947,743)	(1,328,241)
	39,611,633	32,898,023
Goods in transit and prepaid letters of credit	5,716,893	2,088,091
	45,328,526	34,986,114

As at 31 December, the movement in the provision for obsolete and slow moving inventories is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Balance at 1 January	1,328,241	738,763
Charge for the year	824,590	655,928
Reversal of provision	(192,538)	(68,036)
Foreign currency adjustment	(12,550)	1,586
Balance at 31 December	1,947,743	1,328,241

14 Trade accounts receivable

	31 Dec. 2017 KD	31 Dec. 2016 KD
Trade accounts receivable	24,219,031	31,775,867
Less: provision for doubtful debts	(6,137,815)	(5,464,998)
	18,081,216	26,310,869

The carrying values of the financial assets included above approximate their fair values and all of these are due within one year, such that the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

Trade receivables are non-interest bearing and generally due on 30 – 180 days terms.

As at 31 December, the movement in the provision for doubtful debts is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Balance at 1 January	5,464,998	4,637,325
Charge for the year	1,003,040	959,537
Reversal of provision	(313,325)	(135,808)
Foreign currency adjustment	(16,898)	3,944
Balance at 31 December	6,137,815	5,464,998

Notes to the consolidated financial statements (continued)

14 Trade accounts receivable (continued)

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
- Less than three months	**9,848,652**	12,788,706
- Three to six months	**4,632,534**	7,407,261
- Over six months	**9,737,845**	11,579,900
Total trade accounts receivable	**24,219,031**	31,775,867

15 Other receivables are prepayments

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets:		
Staff receivable	**113,759**	51,901
Amount due from related party	**3,602,598**	305,500
Other receivables	**109,242**	131,476
	3,825,599	488,877
Non-financial assets:		
Prepaid expenses	**278,042**	329,874
	4,103,641	818,751

16 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise the following accounts:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Cash in hand	**126,113**	9,906
Cash held in managed portfolios	**458,138**	257,132
Bank balances	**1,879,284**	1,851,062
Time deposit blocked against a letter of guarantee issued with original maturity not exceeding three months	**3,543,780**	3,500,000
Total cash and bank balances	**6,007,315**	5,618,100
Less: time deposit blocked against a letter of guarantee issued with original maturity not exceeding three months	**(3,543,780)**	(3,500,000)
Less: due to banks	**(7,620)**	(12,156)
Cash and cash equivalents as per consolidated statement of cash flows	**2,455,915**	2,105,944

Time deposit carries an annual effective interest rate of 1.5% (2016: 1%) and is blocked against a letter of guarantee issued (Note 28).

Notes to the consolidated financial statements (continued)

17 Share capital

	31 Dec. 2017 KD	31 Dec. 2016 KD
Authorised, issued and fully paid in cash - 209,931,309 shares of 100 Fils each	**20,993,131**	20,993,131

18 Share premium

Share premium is not available for distribution.

19 Statutory, voluntary and general reserves

The Companies Law and the parent company's articles of association require that 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration to be transferred to the statutory reserve. The shareholders of parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

Distribution of statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

According to the parent company's articles of association, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve at the discretion of the board of directors subject to the approval of the general assembly.

The board of directors' decided to transfer an amount of KD887,832 (2016: KD570,539) to the general reserve.

There are no restrictions on distribution of voluntary and general reserves.

20 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2017	**9,881,981**	**590,149**	**10,472,130**
Exchange differences arising on translation of foreign operations	-	**(178,923)**	**(178,923)**
Available for sale investments:			
- Net change in fair value arising during the year	**5,289,859**	-	**5,289,859**
- Transferred to consolidated statement of profit or loss on sale	**328,731**	-	**328,731**
- Transferred to consolidated statement of profit or loss on impairment	**461,491**	-	**461,491**
Total other comprehensive income for the year	**6,080,081**	**(178,923)**	**5,901,158**
Balance at 31 December 2017	**15,962,062**	**411,226**	**16,373,288**

Notes to the consolidated financial statements (continued)

20 Other components of equity (continued)

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2016	235,473	524,539	760,012
Exchange differences arising on translation of foreign operations	-	65,610	65,610
Available for sale investments:			
- Net change in fair value arising during the year	7,414,080	-	7,414,080
- Transferred to consolidated statement of profit or loss on sale	439,568	-	439,568
- Transferred to consolidated statement of profit or loss on impairment	1,792,860	-	1,792,860
Total other comprehensive income for the year	9,646,508	65,610	9,712,118
Balance at 31 December 2016	9,881,981	590,149	10,472,130

21 Long term loan

	31 Dec. 2017 KD	31 Dec. 2016 KD
- USD 50,000,000 facility	-	3,691,200
	-	3,691,200
Installments due within next twelve months	-	(3,691,200)
Installments due after next twelve months	-	-

Long term loan facility amounting to US$50,000,000 was obtained from a regional bank. The loan was unsecured and carried floating interest rate of 2.15% (31 December 2016: 2.15%) per annum above six-month LIBOR. The loan was repayable in four semi-annual instalments of US$5,000,000 each and five semi-annual installments of US$6,000,000 each ending on 18 September 2017. The loan has been fully settled during the year.

22 Other payables and accruals

	31 Dec. 2017 KD	31 Dec. 2016 KD
Kuwait Foundation for the Advancement of Sciences	**88,783**	57,054
National Labour Support Tax	**162,124**	121,642
Zakat	**62,850**	47,657
Directors' remuneration	**310,000**	310,000
Uncollected dividends	**2,134,492**	2,020,142
Accrued staff dues	**3,734,419**	3,394,651
Other liabilities	**1,078,657**	1,511,079
	7,571,325	7,462,225

Notes to the consolidated financial statements (continued)

23 Short term loans

	31 Dec. 2017 KD	31 Dec. 2016 KD
Kuwaiti Dinar facility	-	8,500,000
USD facility	9,114,000	9,228,000
	9,114,000	17,728,000

The short term loans denominated in Kuwaiti Dinars were unsecured and carried interest rate of 1.25% (31 December 2016: 1%) per annum above Central Bank of Kuwait discount rate. The loans have been fully settled during the year.

The USD facility carries interest rate of 1.75% (31 December 2016: 1.75%) per annum above three-month LIBOR. The loans mature on 11 February 2018 (2016: various dates ending 15 March 2017).

24 Murabaha payables

	31 Dec. 2017 KD	31 Dec. 2016 KD
USD Murabaha facilities	14,277,514	12,601,410
	14,277,514	12,601,410

The murabaha facilities were granted to the group by a local Islamic Bank and carries profit rate of 3.29% (31 December 2016: 2.69%) per annum. The murabaha payables mature on various dates ending on 13 June 2018 and are renewable (2016: various dates ending on 29 March 2017, renewable).

25 General assembly of shareholders and dividends

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of parent company propose for the year ended 31 December 2017 a cash dividend of KD25 Fils per share of paid up share capital.

The annual general assembly of the shareholders held on 10 May 2017 approved the consolidated financial statements of the group for the year ended 31 December 2016 and approved to distribute cash dividend of KD20 Fils per share of paid share capital amounting to KD4,198,626 for the year ended 31 December 2016 (2015: Nil).

26 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss.

Notes to the consolidated financial statements (continued)

26 Segmental information (continued)

The group's reportable segments are cable manufacture and investment. The information relating to these segments are as follows:

	Cable manufacture KD	Investment KD	Total KD
31 December 2017:			
Revenue	**59,975,202**	**6,123,691**	**66,098,893**
Segment profit before taxes	**3,623,584**	**5,282,532**	**8,906,116**
Unallocated expenses			**(635,669)**
Profit for the year			**8,270,447**
Additions to property, plant and equipment	**775,139**	-	**775,139**
Depreciation	**1,382,268**	-	**1,382,268**
Impairment of available for sale investments	-	**461,491**	**461,491**
Finance costs	**608,652**	**211,557**	**820,209**
Dividend income	-	**4,788,455**	**4,788,455**
Total assets	**71,433,177**	**106,436,758**	**177,869,935**
Total Liabilities	**(31,211,542)**	**(5,203,075)**	**(36,414,617)**
Net assets	**40,221,635**	**101,233,683**	**141,455,318**
31 December 2016:			
Revenue	87,488,491	3,980,181	91,468,672
Segment profit before taxes	5,659,429	1,720,454	7,379,883
Unallocated expenses			(536,353)
Profit for the year			6,843,530
Additions to property, plant and equipment	234,660	-	234,660
Depreciation	1,589,733	-	1,589,733
Impairment of available for sale investments	-	1,792,860	1,792,860
Finance costs	774,610	349,281	1,123,891
Dividend income	-	4,493,366	4,493,366
Total assets	69,855,515	107,338,617	177,194,132
Total Liabilities	(36,745,162)	(8,956,218)	(45,701,380)
Net assets	33,110,353	98,382,399	131,492,752

Geographical information: -

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue:		
Kuwait	**51,520,189**	79,006,309
Middle East	**14,416,719**	12,913,687
International	**161,985**	(451,324)
	66,098,893	91,468,672

Notes to the consolidated financial statements (continued)

27 Related party balances and transactions

Related parties represent subsidiaries, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of balances and transactions between the group and its related parties are disclosed below.

	31 Dec. 2017 KD	31 Dec. 2016 KD
Balances included in consolidated statement of financial position		
Trade accounts receivables (after provision for doubtful debts)	-	915,210
Other receivables and prepayments (note 15)	3,602,598	305,500
Trade accounts payables	8,921	7,001

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Amounts included in consolidated statement of profit or loss		
Sales	151,557	149,261
Industrial expenses	(4,320)	(4,977)
Provision for doubtful debts	(488,502)	(552,910)
Key management compensation:		
Salaries and other short term benefits	404,880	457,252
End of service benefits	171,942	24,344
Provision for directors' remuneration	310,000	310,000
	886,822	791,596

28 Contingent liabilities

Contingent liabilities at 31 December 2017 in respect of outstanding letters of guarantee amounted to KD13,364,347 (31 December 2016: KD11,404,356). Letters of guarantee issued include a letter of guarantee of KD5,000,000 secured by blocking a time deposit amounting to KD3,543,780 (2016: KD3,500,000) (Note 16).

29 Capital commitments

At the year end, the group had capital commitments to purchase new machinery and equipment amounting to KD646,508 (31 December 2016: KD6,541).

30 Risk management objectives and policies

The group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The parent company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The group's risk management focuses on actively securing the group's short to medium term cash flows by minimizing the potential adverse effects on the group's financial performance. Long term financial investments are managed to generate lasting returns.

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed are described below.

30.1 Market risk

a) Foreign currency risk

The group mainly operates in the GCC and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Bahrain Dinar and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchange contracts, if required, are entered into in accordance with the group's risk management policies. Generally, the group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Bahrani Dinar	670,261	1,469,575
US Dollar	(21,665,456)	(22,340,877)

The foreign currency sensitivity is determined based on 2% (31 December 2016: 2%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year. There is no impact on the group's equity:

	Profit for the year	
	31 Dec. 2017 KD	31 Dec. 2016 KD
Bahrain Dinar	(13,405)	(29,392)
US Dollar	433,309	446,818
	419,904	417,426

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.1 Market risk (continued)

a) Foreign currency risk (continued)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the group's profit for the year would have been equal and opposite to the above. Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest and profit rate risk

Interest and profit rate risk arises from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The group has no significant interest bearing assets other than bank balances and fixed deposits. The group is exposed to interest rate risk with respect to its borrowings and murabaha payables which are both at fixed rate and floating interest rate. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings and murabaha payables. The board monitors the interest rate risk by setting limits.

Positions are monitored on a regular basis and hedging strategies are used, if required, to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and –1% (31 December 2016: +1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the group's financial instruments held at each consolidated financial position date. All other variables are held constant. There is no impact on the group's equity:

	31 Dec. 2017		31 Dec. 2016	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
Profit for the year	**(187,339)**	**187,339**	(299,590)	299,590

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

c) Price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as available for sale.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

The sensitivity analysis below has been determined based on the exposure to equity price risks individually at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had individually been 2% (31 December 2016: 2%) higher/lower, the effect on the profit for the year and fair value reserve would have been as follows:

	31 Dec. 2017		31 Dec. 2016	
	Increase 2%	Decrease 2%	Increase 2%	Decrease 2%
Available for sale investments				
Impact on equity	**1,963,935**	**131,650**	2,028,155	3,866,881
Impact on profit for the year	**-**	**(2,095,585)**	-	(5,895,036)

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the consolidated financial position date, as summarized below:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Available for sale investments (managed portfolios)	**73,513,257**	77,662,317
Trade accounts receivable	**18,081,216**	26,310,869
Other receivables excluding prepayments (note 15)	**3,825,599**	488,877
Bank balances and cash held in managed portfolios	**5,881,202**	5,608,194
	101,301,274	110,070,257

Bank balances are maintained with high credit quality financial institutions. Trade accounts receivable were presented after deducting provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

30.3 Liquidity risk

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

The table below summarises the discounted maturity profile of the group's liabilities. The maturities of liabilities have been determined on the basis of the remaining period from the consolidated financial position date to the contractual maturity date.

The group maturity profile of financial liabilities based on undiscounted contractual arrangement is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Total KD
2017				
Liabilities				
Trade accounts payable	-	2,511,854	-	2,511,854
Other payables and accruals	463,139	2,436,900	4,671,286	7,571,325
Term loans	-	9,147,521	-	9,147,521
Murabaha payables	-	12,239,995	2,144,118	14,384,113
Due to banks	7,620	-	-	7,620
	470,759	26,336,270	6,815,404	33,622,433

Notes to the consolidated financial statements (continued)

30 Risk management objectives and policies (continued)

30.3 Liquidity risk (continued)

	Up to 1 month KD	1-3 months KD	3-12 months KD	Total KD
2016				
Liabilities				
Trade accounts payable	-	1,711,734	-	1,711,734
Other payables and accruals	530,361	2,429,252	4,502,612	7,462,225
Term loans	8,501,913	11,135,055	1,886,277	21,523,245
Murabaha payables	-	12,667,014	-	12,667,014
Due to banks	12,156	-	-	12,156
	9,044,430	27,943,055	6,388,889	43,376,374

31 Fair value measurement

31.1 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31.2 Fair value measurement of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec 2017 KD	31 Dec 2016 KD
Financial assets:		
Loans and receivables at amortised cost:		
- Trade accounts receivable	**18,081,216**	26,310,869
- Other receivables excluding prepayments (note 15)	**3,825,599**	488,877
- Cash and bank balances	**6,007,315**	5,618,100
Available for sale investments:		
-At fair value	**98,196,738**	101,407,732
-At cost less impairment	**589,368**	1,826,866
	126,700,236	135,652,444

Notes to the consolidated financial statements (continued)

31 Fair value measurement (continued)

31.2 Fair value measurement of financial instruments (continued)

	31 Dec 2017 KD	31 Dec 2016 KD
Financial liabilities:		
Financial liabilities at amortised cost:		
-Long term loan	-	3,691,200
-Trade accounts payable	**2,511,854**	1,711,734
-Other payables and accruals	**7,571,325**	7,462,225
-Short term loans	**9,114,000**	17,728,000
-Murabaha payables	**14,277,514**	12,601,410
-Due to banks	**7,620**	12,156
	33,482,313	43,206,725

Management considers that the carrying amounts of loans and receivables and all financial liabilities, which are stated at amortised cost, approximate their fair values. Certain available for sale investment is carried at cost for reason specified in note 12.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value on a recurring basis in the consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2017	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale investments:				
Local quoted securities held through managed portfolios	**52,300,886**	-	-	**52,300,886**
Local unquoted securities held through managed portfolios	-	-	**5,529,860**	**5,529,860**
Foreign quoted securities held through managed portfolios	**13,021,229**	-	-	**13,021,229**
Foreign unquoted securities	-	-	**25,264,664**	**25,264,664**
Local unquoted securities	-	-	**8,185**	**8,185**
Local managed fund	-	**2,071,913**	-	**2,071,913**
Foreign managed fund	-	**1**	-	**1**
	65,322,115	**2,071,914**	**30,802,709**	**98,196,738**
31 December 2016				
Available for sale investments:				
Local quoted securities held through managed portfolios	59,104,579	-	-	59,104,579
Local unquoted securities held through managed portfolios	-	-	4,929,856	4,929,856
Foreign quoted securities held through managed portfolios	9,613,806	-	-	9,613,806
Foreign unquoted securities	-	-	25,527,867	25,527,867
Local unquoted securities	-	-	29,253	29,253
Local managed fund	-	1,895,193	-	1,895,193
Foreign managed funds	-	307,178	-	307,178
	68,718,385	2,202,371	30,486,976	101,407,732

There have been no significant transfers between levels 1 and 2 during the reporting period.

Notes to the consolidated financial statements (continued)

31 Fair value measurement (continued)

31.2 Fair value measurement of financial instruments (continued)

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities
The underlying investments in the managed portfolios primarily comprise of local and foreign quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities
Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds
Investment funds managed by others mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

Level 3 fair value measurements
The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Available for sale investments	
	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	30,486,976	30,454,502
Additions	-	73,781
Transferred to level three previously measured at cost	808,586	-
Change in fair value	(492,853)	(41,307)
Closing balance	30,802,709	30,486,976

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Level 3 are described below:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Notes to the consolidated financial statements (continued)

31 Fair value measurement (continued)

31.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)
The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

32 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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

The capital structure of the group consists of the following:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Long term loan (note 21)	-	3,691,200
Short term loans (note 23)	9,114,000	17,728,000
Murabaha payables (note 24)	14,277,514	12,601,410
Less: Cash and cash equivalents (note 16)	(2,455,915)	(2,105,944)
Net debt	20,935,599	31,914,666
Equity attributable to the owners of the parent company	141,008,673	131,051,580

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity attributable to the owners of the parent company as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Net debt	20,935,599	31,914,666
Total equity attributable to the owners of the parent company	141,008,673	131,051,580
Gearing ratio	15%	24%

33 Comparative amounts

Certain comparative amounts have been reclassified to conform to current year presentation of the consolidated financial statements. Such reclassification did not affect previously reported total assets, total equity or net results for the year.