Jassim Transport & Stevedoring Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JASSIM TRANSPORT & STEVEDORING COMPANY K.S.C. (Closed)

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management and the 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JASSIM TRANSPORT & STEVEDORING COMPANY K.S.C. (Closed) (continued)

Report on the Audit of Consolidated Financial Statements (consolidation)

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JASSIM TRANSPORT & STEVEDORING COMPANY K.S.C. (Closed) (continued)

Report on the Audit of Consolidated Financial Statements (consolidation)

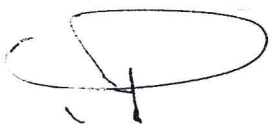
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENSE NO 68 A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

28 March 2018
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Revenue	3	24,109,843	21,206,460
Operating expenses	4	(14,154,574)	(13,032,520)
GROSS PROFIT		9,955,269	8,173,940
Other income	5	415,115	415,510
Administrative expenses	6	(2,331,956)	(2,114,953)
Finance costs		(53,899)	(65,419)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND ZAKAT		7,984,529	6,409,078
KFAS		(79,846)	(66,478)
Zakat		(79,846)	(66,478)
PROFIT FOR THE YEAR		7,824,837	6,276,122

The attached notes 1 to 18 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 KD	2016 KD
Profit for the year		**7,824,837**	6,276,122
Other comprehensive income:			
Items that are or may be subsequently reclassified to consolidated statement of income:			
Exchange difference on translation		**(14,894)**	8,700
Items that will not be subsequently reclassified to consolidated statement of income:			
Revaluation of leasehold land	7	**200,000**	1,211,150
Total other comprehensive income for the year		**185,106**	1,219,850
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,009,943**	7,495,972

The attached notes 1 to 18 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Non-current assets			
Property, plant and equipment	7	**36,705,896**	33,571,693
Current assets			
Inventories		**442,303**	324,282
Account receivables and prepayments	8	**7,919,398**	6,734,115
Cash and cash equivalents	9	**7,753,887**	8,868,223
		16,115,588	15,926,620
TOTAL ASSETS		**52,821,484**	49,498,313
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**15,000,000**	15,000,000
Statutory reserve	11	**4,121,746**	3,339,262
Revaluation surplus	11	**9,173,000**	8,973,000
Foreign currency translation reserve		**(6,405)**	8,489
Retained earnings		**14,667,092**	14,674,739
Total equity		**42,955,433**	41,995,490
Non-current liabilities			
Employees' end of service benefits	12	**1,441,491**	1,260,993
Current liabilities			
Account payables and accruals	13	**8,424,560**	6,241,830
Total liabilities		**9,866,051**	7,502,823
TOTAL EQUITY AND LIABILITIES		**52,821,484**	49,498,313

Sulaiman Mohammad Shahaen Al Rubaie
(Chairman)

The attached notes 1 to 18 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital KD	*Statutory reserve* KD	*Revaluation surplus* KD	*Foreign currency translation reserve* KD	*Retained earnings* KD	*Total* KD
As at 1 January 2017	15,000,000	3,339,262	8,973,000	8,489	14,674,739	41,995,490
Profit for the year	-	-	-	-	7,824,837	7,824,837
Other comprehensive income for the year	-	-	200,000	(14,894)	-	185,106
Total comprehensive income for the year	-	-	200,000	(14,894)	7,824,837	8,009,943
Transfer to reserve	-	782,484	-	-	(782,484)	-
Dividend paid (Note 11)	-	-	-	-	(7,050,000)	(7,050,000)
At 31 December 2017	**15,000,000**	**4,121,746**	**9,173,000**	**(6,405)**	**14,667,092**	**42,955,433**
As at 1 January 2016	15,000,000	2,711,650	7,761,850	(211)	17,026,229	42,499,518
Profit for the year	-	-	-	-	6,276,122	6,276,122
Other comprehensive income for the year	-	-	1,211,150	8,700	-	1,219,850
Total comprehensive income for the year	-	-	1,211,150	8,700	6,276,122	7,495,972
Transfer to reserve	-	627,612	-	-	(627,612)	-
Dividend paid (Note 11)	-	-	-	-	(8,000,000)	(8,000,000)
At 31 December 2016	15,000,000	3,339,262	8,973,000	8,489	14,674,739	41,995,490

The attached notes 1 to 18 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the year		**7,824,837**	6,276,122
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Gain on disposal of property, plant and equipment	5	**(244,573)**	(114,333)
Depreciation	7	**3,465,419**	3,430,379
Provision for employees' end of service benefits	12	**259,364**	249,660
Allowance for impairment of receivables	8	**217,121**	22,462
Reversal of impairment of receivables	8	**(255,304)**	(426,034)
Allowance for slow moving inventory	6	**-**	16,285
Interest income	5	**(134,946)**	(200,582)
Finance costs		**53,899**	65,419
		11,185,817	9,319,378
Working capital changes:			
Inventories		**(118,021)**	(150,910)
Account receivables and prepayments		**(1,147,100)**	(43,738)
Account payables and accruals		**2,182,730**	(422,237)
Cash flows from operations		**12,103,426**	8,702,493
Employees' end of service benefits paid	12	**(78,866)**	(113,551)
Net cash flows from operating activities		**12,024,560**	8,588,942
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(6,518,536)**	(6,670,721)
Proceeds from disposal of property, plant and equipment		**275,880**	247,109
Net movement in fixed deposits		**1,250,000**	(500,000)
Interest income received	5	**134,946**	200,582
Net cash flows used in investing activities		**(4,857,710)**	(6,723,030)
FINANCING ACTIVITIES			
Dividends paid	11	**(7,050,000)**	(8,000,000)
Finance costs paid		**(53,899)**	(65,419)
Net cash flows used in financing activities		**(7,103,899)**	(8,065,419)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**62,951**	(6,199,507)
Effect of foreign currecny translation		**72,713**	(106,822)
Cash and cash equivalents at 1 January		**1,618,223**	7,924,552
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**1,753,887**	1,618,223

The attached notes 1 to 18 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Jassim Transport & Stevedoring Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group"), for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 28 March 2018 and are subject to the approval of the shareholders of the Parent Company in the Annual General Meeting ("AGM"). The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the AGM of the Parent Company's shareholders.

The Parent Company is a closed Kuwaiti shareholding Company registered and incorporated in Kuwait on 25 May 1979. It's registered head office is at Mirqab, Area No 1, Building No 8, Saleh Sulaiman Al Jarah Real Estate Complex, Office 2, 5th floor, P.O. Box 22801, Safat 13089, Kuwait.

The activities of the Parent Company as per the Articles of Association comprise of the following:

1. Carry out all road transport operations outside the State of Kuwait and in particular operations related to carrying passengers by any mean of land transportation.
2. Buy, sell, rent, hire and import all kinds of trucks, vehicles, equipment and machinery, light and heavy, and any necessary mean for stevedoring, land , sea materials transportation inside and outside Kuwait.
3. Develop any private road transport industry or related to it (after getting the approval of the Public Authority for Industry).
4. Clearance, shipping and stevedoring operations for imported and issued goods and packaging goods of all kinds.
5. Participate in the management, operation and maintenance and the establishment of maritime and land ports and container terminals related to this activity.
6. Practicing all e-commerce activities, according to the company's activity.
7. Build and rent the necessary buildings for services and crafts related to stevedoring and land and maritime transport.
8. Shipping and services of all kinds of vessels and supply ships and ships agents for companies.
9. Provide all transportation and airport management services, which include ground support services for passengers, aircraft and aviation-related goods.
10. Owns moveable property and real estate to conduct its operations in the permissible limits according to the law.
11. Using the available funds of the Parent Company by investing them in financial portfolios managed by specialized authorities and companies.
12. Stevedoring services, loading and unloading ships and maritime transport.
13. Perform all road transport operations, transporting goods and various materials inside and outside the State of Kuwait. Especially, operations related to the transport of general cargo and bulk fuel, water and precious chemical materials by any mean of transportation.
14. Owns stocks and bonds for the Parent Company account only (Parent Company may have an interest or participate in any way with bodies engaged in similar activities or which may assist in achieving its objectives in Kuwait or abroad and it may arise or participates or buy these bodies or join them in their equity).The Parent Company may perform the aforementioned activities within or outside the State of Kuwait as a legal entity or as an agent.

The Parent Company may perform other similar, complementary or connected activities to its main activities.

The consolidated financial statements for the year ended 31 December 2016 have been approved by the shareholders of the Parent Company on 3 July 2017.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except leasehold land that has been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the functional and reporting currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the amendments to the existing standards relevant to the Group, effective as of 1 January 2017, the nature and impact of the amendments are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the application of this amendment does not have significant impact on the Group's financial statements.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt those standards, if applicable, when they become effective.

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

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year 2018, when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the classification and measurement requirements of IFRS 9 as discussed below.

Classification and measurement
The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in other comprehensive income ("OCI") with no subsequent reclassification to the consolidated statement of income, unless an accounting mismatch in profit or loss would arise.

The Group had reviewed and assessed the Group's existing financial instruments as at 31 December 2017 based on the facts and circumstances that existed at that date and concluded the following in regards to their classification and measurement:

- Financial assets representing account receivables and cash and cash equivalents and that are held within a business model whose objective is to collect the contractual cash flows will subsequently be measured at amortised cost.
- The Group expects no significant changes would occur in financial liabilities as the Group classifies all its financial liabilities at amortised cost under IAS 39 and the same classification is expected to be carried forward under IFRS 9 based on their business model.

Impairment
IFRS 9 requires the Group to record expected credit losses on all its investments, loans and receivables, either on a 12 month or lifetime basis. The Group will apply a simplified approach and record lifetime expected losses on all receivables which management has assessed will not have a material impact on the consolidated financial statements of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)
Hedge accounting
The management does not expect any impact on the consolidated financial statements of the Group resulting from hedge accounting under IFRS 9 as currently, the Group has not entered into any such instruments.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. During 2017, the Group has performed a detailed evaluation of the effect of IFRS 15 on the Group's consolidated financial statements, based on which the Group does not expect any significant impact on adoption of this standard.

This assessment is based on current available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year 2018, when the Group will adopt IFRS 15.

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

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

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The Group does not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

2.4 BASIS OF CONSOLIDATION

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

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

2.4 BASIS OF CONSOLIDATION (continued)

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

The subsidiaries of the Group are as follows:

Name of the company	*Country of incorporation*	*Interest in equity %*		*Principal activities*
		2017	*2016*	
JTC Fuel Transport Company W.L.L. ("JTCF")	Kuwait	**100%**	100%	Carriage of goods
JTC Heavy and Light Equipment and Machinery Leasing Company W.L.L. ("JTCE")	Kuwait	**100%**	100%	Leasing vehicles and equipment rental
Held through JTCF				
Al Mushtari Public Transport, Equiment Leasing, Marine Services & Warehousing Company W.L.L.	Iraq	**100%**	100%	Public transport, equipment leasing, marine services and warehousing.
JTC Logistics Company L.L.C.	Kingdom of Saudi Arabia	**100%**	100%	Carriage of cargo and passengers, storage services and leasing of heavy and light equipments.
Held through JTCE				
JTC Saudi Equipment Leasing Company L.L.C.	Kingdom of Saudi Arabia	**100%**	100%	Carriage of cargo and passengers, storage services and leasing of heavy and light equipments.
Road Junction Transport Company W.L.L.	Qatar	**100%**	100%	Leasing of heavy and light equipment including cranes and forklifts and power generators.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

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

- Revenue from rendering of services is recognised when services are rendered.
- Operating lease rental income is recognised on a straight line basis over the lease term and included in revenue due to its operating nature.
- Interest income is recognised using the effective interest rate (EIR) method.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

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.

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

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

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Property, plant and equipment
Except for leasehold land which is measured at fair value, property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of assets after deduction of residual value as follows:

	Useful life
Motor vehicles and equipment	3 - 15 years
Improvements on leasehold land	5 years
Prefabricated buildings	5 - 10 years
Furniture and fixtures	3 -5 years
Tools and machinery	5 years

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work in progress is stated at cost. Following completion, work in progress is transferred into the relevant class of property and equipment.

Leasehold land is measured at fair value. Valuation is performed at regular intervals of every three years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation changes are credited to the revaluation surplus in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of income, in which case the increase is recognised in the consolidated statement of income. A revaluation deficit is recognised in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation surplus.

Inventories
Inventories are valued at the lower of cost and net realisable value after making allowances for any slow moving obsolete or damaged items. Cost of inventories is based on weighted average principle, and includes expenditure incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling price less any costs of completion and estimated costs necessary to make sale.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators. Impairment losses are recognised in the consolidated statement of income.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments
Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and cash equivalents and account receivables.

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

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

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances and fixed deposits and have maturity of 3 months or less.

Derecognition
A financial asset (or where applicable a part of a financial asset or a part of a Group of similar financial assets) is de-recognised either when:

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)
Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial assets are recognised initially at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial liabilities include account payables and accruals.

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

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

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

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)
Fair value measurement (continued)
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Offsetting of financial instruments
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis to realise the asset and settle the liablities simultenusly.

Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment. The Group's obligations are limited to these contributions which are expenses when due.

Further, with respect to its national employees, the Group also makes contributions to public institution for social security calculated as a percentage of the employees' salaries. The Group's obligation are limited to these contributions, which are expensed when due.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of income are also recognised in other comprehensive income or consolidated statement of income, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are translated at the average rates of exchange for the year. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of account receivables
An estimate of the collectible amount of trade account receivables 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Useful lives, residual values and related depreciation charges of property, plant and equipment
The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property, plant and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment
Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value beyond that which would be expected from the passage of time or normal use,
- significant changes in the technology and regulatory environments,
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Revaluation of leasehold land
The Group measures leasehold land at revalued amount with changes in fair value being recognised in other comprehensive income. The Group engaged an independent valuation specialist to assess fair value at the reporting date. Leasehold land was valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

3 REVENUE

	2017	*2016*
	KD	*KD*
Haulage	**2,853,518**	3,017,237
Stevedoring	**5,384,229**	5,158,334
Leasing equipment	**12,733,694**	10,921,451
Warehousing	**3,138,402**	2,109,438
	24,109,843	21,206,460

4 OPERATING EXPENSES

	2017 *KD*	*2016* *KD*
Staff costs	**5,188,014**	4,837,313
Depreciation (Note 7)	**3,257,672**	3,194,364
Rent expenses	**1,240,618**	1,119,910
Motor vehicle consumables and maintenance	**2,826,076**	2,508,632
Subcontract costs	**570,412**	640,988
Stevedoring incentive and commission	**819,775**	536,180
Others	**252,007**	195,133
	14,154,574	13,032,520

5 OTHER INCOME

	2017 *KD*	*2016* *KD*
Gain on disposal of property, plant and equipment	**244,573**	114,333
Interest income	**134,946**	200,582
Foreign exchange gain	**-**	65,220
Others	**35,596**	35,375
	415,115	415,510

6 ADMINISTRATIVE EXPENSES

	2017 *KD*	*2016* *KD*
Staff costs	**873,358**	881,042
Communication, consultancy and repair and maintenance expenses	**869,134**	889,578
Deperciation (Note 7)	**207,747**	236,015
Allowance for impairment of receivables (Note 8)	**217,121**	22,462
Reversal of impairment of receivables (Note 8)	**(255,304)**	(426,034)
Allowance for slow moving inventory	**-**	16,285
Foreign exchange loss	**206,046**	-
Others	**213,854**	495,605
	2,331,956	2,114,953

7 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles and equipment KD	*Leasehold land* KD	*Leasehold land improvement* KD	*Prefabricated buildings* KD	*Furniture and fixtuers* KD	*Tools and machinery* KD	*Capital work-in-progress* KD	*Total* KD
Cost or revaluation:								
At 1 January 2017	53,070,269	9,704,150	1,301,142	1,088,031	1,153,116	168,445	44,709	66,529,862
Additions	6,375,896	-	43,784	25,006	51,594	21,672	584	6,518,536
Disposals	(1,614,510)	-	-	-	(139,740)	(5,519)	-	(1,759,769)
Revaluation adjustment	-	200,000	-	-	-	-	-	200,000
Foreign currency translation adjustment	(273,651)	-	(2,887)	-	(1,642)	(150)	-	(278,330)
At 31 December 2017	**57,558,004**	**9,904,150**	**1,342,039**	**1,113,037**	**1,063,328**	**184,448**	**45,293**	**71,210,299**
Depreciation:								
At 1 January 2017	30,378,157	-	442,875	955,933	1,043,558	137,646	-	32,958,169
Charge for the year	3,257,672	-	122,425	34,301	39,161	11,860	-	3,465,419
Disposals	(1,583,241)	-	-	-	(139,740)	(5,481)	-	(1,728,462)
Foreign currency translation adjustment	(185,145)	-	(2,759)	(1,016)	(1,616)	(187)	-	(190,723)
At 31 December 2017	**31,867,443**	**-**	**562,541**	**989,218**	**941,363**	**143,838**	**-**	**34,504,403**
Net book value:								
At 31 December 2017	**25,690,561**	**9,904,150**	**779,498**	**123,819**	**121,965**	**40,610**	**45,293**	**36,705,896**

Notwithstanding the contractual term of the leases, management considers that, the agreements of leasehold land are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease and, consequently, as is common practice in Kuwait, these leases have been accounted for as freehold land. The mangagemnet does a revaluation of the leasehold land on cyclical basis at a regular interval of every three years.

During the year, the fair valuation was conducted by two independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of leasehold land being valued. The change in fair value was calculated based on the lower of the two values. Fair value of the leasehold land is arrived at by reference to industry acknowledged methods of valuations that depend on market data including recent sales value of comparable properties. The fair value was determined based on sales comparision method and is measured under the Level 2 fair value hierarchy. The revaluation gain amounting to KD 200,000 (2016: KD 1,211,150) was included in other comprehensive income and credited directly to equity as revaluation surplus. The significant assumption used in the determination of fair value was the market price (per sqm). A decrease of 5% in the estimated market price (per sqm) will reduce the value by KD 495,208 (2016: KD 485,208).

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles and equipment KD	*Leasehold land* KD	*Leasehold land improvement* KD	*Prefabricated buildings* KD	*Furniture and fixtuers* KD	*Tools and machinery* KD	*Capital work-in-progress* KD	*Total* KD
Cost or revaluation:								
At 1 January 2016	47,252,326	8,493,000	1,242,062	1,061,544	1,107,029	163,612	64,446	59,384,019
Additions	6,509,370	-	57,532	25,910	45,437	4,549	27,923	6,670,721
Disposals	(848,180)	-	-	-	-	-	-	(848,180)
Revaluation adjustment	-	1,211,150	-	-	-	-	-	1,211,150
Transfers	47,660	-	-	-	-	-	(47,660)	-
Foreign currency translation adjustment	109,093	-	1,548	577	650	284	-	112,152
At 31 December 2016	53,070,269	9,704,150	1,301,142	1,088,031	1,153,116	168,445	44,709	66,529,862
Depreciation:								
At 1 January 2016	27,904,984	-	304,297	902,667	1,009,270	125,346	-	30,246,564
Charge for the year	3,194,367	-	137,115	52,695	34,006	12,196	-	3,430,379
Disposals	(715,404)	-	-	-	-	-	-	(715,404)
Foreign currency translation adjustment	(5,790)	-	1,463	571	282	104	-	(3,370)
At 31 December 2016	30,378,157	-	442,875	955,933	1,043,558	137,646	-	32,958,169
Net book value:								
At 31 December 2016	22,692,112	9,704,150	858,267	132,098	109,558	30,799	44,709	33,571,693

7 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2017 *KD*	*2016* *KD*
Operating expenses (Note 4)	**3,257,672**	3,194,364
Administrative expenses (Note 6)	**207,747**	236,015
	3,465,419	3,430,379

8 ACCOUNT RECEIVABLES AND PREPAYMENTS

	2017 *KD*	*2016* *KD*
Trade receivables	**5,385,383**	4,425,503
Accrued income	**1,004,637**	986,640
Prepayments and deposits	**836,090**	791,771
Advance to suppliers	**538,935**	304,941
Other receivables	**154,353**	225,260
	7,919,398	6,734,115

As at 31 December 2017, trade receivables at nominal value of KD 3,079,071 (2016: KD 2,528,154) carry a provision of KD 1,554,824 (2016: KD 1,592,668).

Movement in the allowance for impairment of trade receivables is as follows:

	2017 *KD*	*2016* *KD*
At 1 January	**1,592,668**	1,995,788
Charge for the year	**217,121**	22,462
Reversal	**(255,304)**	(426,034)
Foreign exchange difference	**339**	452
	1,554,824	1,592,668

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

	Total *KD*	*Neither past due nor impaired* *KD*	*Past due but not impaired* *Less than 180 days* *KD*	*Past due but not impaired* *181 – 365 days* *KD*
2017	**3,861,136**	**1,650,002**	**2,010,593**	**200,541**
2016	3,490,017	1,623,119	1,808,341	58,557

The Group's credit period is 30 to 90 days after which trade receivables are considered to be past due. Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of Group to obtain collateral over trade receivables.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise of the following at 31 December:

	2017 *KD*	*2016* *KD*
Bank balances and cash	**1,710,137**	1,574,473
Fixed deposits	**6,043,750**	7,293,750
Cash and cash equivalents as per consolidated statement of financial position	**7,753,887**	8,868,223
Fixed deposits with original maturities more than three months	**(6,000,000)**	(7,250,000)
Cash and cash equivalents as per consolidated statement of cash flows	**1,753,887**	1,618,223

Fixed deposits yield an average effective interest rate (EIR) ranging between 1.575% to 2.625% (2016: 1.65 % to 2.75 %) per annum. Fixed deposit, amounting to KD 43,750 (2016: KD 43,750) are held as collateral securitiries against other credit facilites granted to the Group (Note 15).

10 SHARE CAPITAL

The Parent Company's authorised, issued and fully paid capital consists of 150,000,000 (2016: 150,000,000) shares of 100 fils (2016: 100 fils) each, which were fully paid in cash.

11 RESERVES, SURPLUS AND DIVIDENDS

a) Statutory reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS and Zakat shall be transferred to the statutory reserve. The Annual General Assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

b) Revaluation surplus

The asset revaluation surplus is used to record increases in the fair value of land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

c) Dividends

On 3 July 2017, the Annual General Assembly meeting of the Parent Company's shareholders was held and approved the cash dividend amounting to KD 7,050,000 (2016: KD 8,000,000) for the year ended 31 December 2016, which was paid following the approval date.

12 EMPLOYEES' END OF SERVICE BENEFITS

	2017 *KD*	*2016* *KD*
At 1 January	**1,260,993**	1,124,884
Charge for the year	**259,364**	249,660
Paid during the year	**(78,866)**	(113,551)
At 31 December	**1,441,491**	1,260,993

13 ACCOUNT PAYABLES AND ACCRUALS

	2017 *KD*	*2016* *KD*
Trade payables	**4,543,146**	1,731,022
Accruals and provisions	**3,085,461**	3,332,369
Advances from customers	**773,106**	1,135,760
Other payables	**22,847**	42,679
	8,424,560	6,241,830

a) Included within "accruals and provisions" is an amount of KD 721,927 (2016: KD 721,927) which represents provision for loss of assets in Iraq. The Group had filed legal case, the outcome of which is still uncertain.

14 RELATED PARTY TRANSACTIONS

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

Transactions with related parties in the consolidated financial statement are as follows:

	Shareholders *KD*	*Total 2017* *KD*	*Total 2016* *KD*
Consolidated statement of income:			
Revenue – haulage	**122,521**	**122,521**	24,270
Tickets charges	**(8,349)**	**(8,349)**	(16,772)
Other charges	**(1,190)**	**(1,190)**	(2,100)

Compensation of key management personnel

The remuneration of members of key management personnel of the Group during the year was as follows:

	2017 *KD*	*2016* *KD*
Salaries and other short term benefits	**313,514**	277,958
Employees' end of service benefits	**14,367**	12,865
	327,881	290,823

15 COMMITMENTS AND CONTINGENCIES

The Group has following commitments and contingent liabilities:

	2017 *KD*	*2016* *KD*
Commitments		
Letters of credit	**763,900**	1,676,583
Contingencies		
Letters of guarantee	**3,641,840**	3,694,702

Operating lease commitment

	2017 *KD*	*2016* *KD*
Future minimum lease payments:		
Not later than one year	**456,617**	458,550
Later than one year and not later than five years	**1,660,756**	1,823,227
	2,117,373	2,281,777

Certain fixed deposits are held as collateral security against letter of guarantee issued (Note 9).

The Group had filed a legal claim with the Public Authority for assessment of compensation from Iraqi invasion for the recovery of losses suffered during the invasion and occupation of Kuwait. A claim of KD 626,528 is pending for determination by the Governing Council.

The Group will recognise the claim as and when remittance is made, directly in the consolidated statement of income.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, and liquidity risk and exposure to market risk is limited to foreign currency risk, as the Group does not have floating interest bearing assets and liabilities and none of the financial instruments are listed on the stock exchange.

The Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2017 and 2016.

16.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances, fixed deposits and account receivables.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group limits its credit risk with regard to bank balances and fixed deposits by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is limited to the extent possible.

The Group's exposure to credit risk from bank balances, fixed and short-term deposits and account receivables. arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements:

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

16.1 Credit risk (continued)

	2017 **KD**	*2016* KD
Bank balances and fixed deposits (excluding cash)	**7,734,097**	8,847,754
Account receivables (excluding prepayments, accrued income and advance to suppliers)	**6,544,373**	5,637,403
	14,278,470	14,485,157

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's financial assets subject to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following geographic regions:

	2017 **KD**	*2016* KD
Geographic region:		
Kuwait	**11,650,417**	13,102,286
GCC and other countries	**2,628,053**	1,382,871
	14,278,470	14,485,157

16.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations and management expectations:

	Within 3 months **KD**	*3 to 12 months* **KD**	*Total* **KD**
2017			
Account payables and accruals*	**4,543,146**	**3,108,308**	**7,651,454**

	Within 3 months KD	*3 to 12 months* KD	*Total* KD
2016			
Account payables and accruals*	1,921,488	3,184,582	5,106,070

* Advances from customers excluded

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

16.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of: interest rate risk, foreign currency risk, and other price risk, such as equity price risk.

Market risk is managed on the basis of continuous appraisal of market conditions and trends.

16.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements.

The effect on consolidated statement of income (due to changes in fair value of monetary assets and liabilities) as a result of change in the currency rate, with all other variables held consistent is shown below:

	Foreign currency denominated balances		*Change in currency rate by 5% effect on profit for the year*	
	2017	*2016*	*2017*	*2016*
			KD	*KD*
US Dollar	**3,501,036**	2,974,337	**± 52,822**	± 45,507
Qatari Riyal	**12,363,367**	11,306,433	**± 51,302**	± 47,600
Saudi Riyal	**3,030,658**	3,393,552	**± 12,214**	± 13,866

16.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not currently exposed significantly to such risk.

17 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016. Capital comprises share capital, revaluation surplus, foreign currency translation reserve and retained earnings and is measured at KD 38,833,687 as at 31 December 2017 (2016: KD 38,656,228).

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments are not materially different from their carrying values at the reporting date. For financial assets and finanial liabilities that are liquid or having short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair valuation.