Integrated Holding Company K.S.C.P. and its Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

For the year ended 31 December 2019

Integrated Holding Company K.S.C.P. and its Subsidiaries
State of Kuwait

Consolidated financial statements and independent auditor's report
For the year ended 31 December 2019

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Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Integrated Holding Company K.S.C.P. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Report on the audit of the consolidated financial statements (Continued)

Key Audit Matter	• Expected credit losses (ECL) for trade receivables

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key Audit Matters

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

Key audit matter	How our audit addressed the Key audit matter
Expected credit losses (ECL) for trade receivables As at 31 December 2019, the Group has trade receivables amounted to KD 16,058,366 representing 17% of total assets. The Group has applied the simplified approach in IFRS 9 "Financial Instruments" to measure ECL for trade receivables, which allows for lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group determines the expected credit losses on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics and days past due. Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter. Refer to Note 8 and 4.1 (b) to the consolidated financial statements for the related disclosures.	**Our audit procedures included:** • Assessing the appropriateness of the Expected Credit Loss (ECL) model prepared by management. • Assessing management judgements and assumptions including the following: - Computation of roll rate percentages - Computation of default rate percentages - Determining average default rates - Final ECL provision using loss rates • Evaluating the adequacy of the disclosures in Notes 8 and 4.1 (b) to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (Continued)

Report on the audit of the consolidated financial statements (Continued)

Other information

The directors are responsible for the other information. The other information comprises the report of the Board of Directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Report on the audit of the consolidated financial statements (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

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

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

- 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.

Report on the audit of the consolidated financial statements (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the 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, its executive bylaws and by the Parent Company's articles of association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law no. 1 of 2016, its executive bylaws nor of the Parent Company's articles of association have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Group or on its consolidated financial position.

Khalid Ebrahim Al-Shatti
Licence No. 175 A
PricewaterhouseCoopers
(Al-Shatti & Co.)

23 March 2020
Kuwait

Integrated Holding Company K.S.C.P. and its Subsidiaries
State of Kuwait

Consolidated statement of financial position
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	As at 2019	As at 2018
Assets			
Non-current assets			
Property and equipment	7	**72,529,057**	73,389,643
Intangible assets	6	**711,338**	711,350
Right-of-use assets	3	**697,144**	-
		73,937,539	74,100,993
Current assets			
Inventories		**859,832**	1,033,960
Trade and other receivables	8	**16,604,407**	15,961,335
Bank balances and cash	9	**1,787,949**	4,769,603
		19,252,188	21,764,898
Total assets		**93,189,727**	95,865,891
Equity and Liabilities			
Equity			
Share capital	10	**22,000,000**	22,000,000
Share premium		**1,463,000**	1,463,000
Statutory reserve	11	**9,494,240**	8,654,694
Foreign currency translation reserve		**(30,262)**	(13,941)
Retained earnings		**35,669,774**	37,410,634
Total equity		**68,596,752**	69,514,387
Liabilities			
Non-current liabilities			
Borrowings	12	**9,288,487**	3,240,649
Lease liabilities	3	**712,905**	-
Employees' end of service benefits	13	**1,567,228**	1,446,693
		11,568,620	4,687,342
Current liabilities			
Trade and other payables	14	**6,870,800**	18,771,838
Borrowings	12	**6,127,421**	2,892,324
Lease liabilities	3	**26,134**	-
		13,024,355	21,664,162
Total liabilities		**24,592,975**	26,351,504
Total equity and liabilities		**93,189,727**	95,865,891

Jassim Mustafa Boodai
Vice Chairman and CEO

The accompanying notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Integrated Holding Company K.S.C.P. and its Subsidiaries
State of Kuwait

Consolidated statement of income
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Revenue from contracts with customers	15	**29,594,584**	41,961,348
Cost of providing services	16	**(18,073,421)**	(21,588,504)
Cost of sale of equipment		**-**	(218,182)
Cost of goods sold		**(63,584)**	(71,678)
Gross profit		**11,457,579**	20,082,984
General and administrative expenses	17	**(2,595,129)**	(3,887,419)
Net impairment loss on financial assets	4.1 (b)	**(2,093,256)**	(585,564)
Foreign exchange gain, net		**332,492**	819,281
Other income	18	**1,817,851**	1,751,918
Operating profit		**8,919,537**	18,181,200
Finance costs		**(524,076)**	(347,110)
Profit before directors' remuneration, contribution to Kuwait Foundation for Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		**8,395,461**	17,834,090
Directors' remuneration		**(60,000)**	(60,000)
KFAS		**(75,557)**	(160,520)
NLST		**(258,013)**	(191,241)
Zakat		**(103,205)**	(186,712)
Profit for the year		**7,898,686**	17,235,617
Attributable to:			
Shareholders of the Parent Company		**7,898,686**	17,235,617
Profit for the year		**7,898,686**	17,235,617
Earnings per share (Basic and diluted) (fils)	19	**35.90**	78.34

The accompanying notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	**7,898,686**	17,235,617
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(16,321)**	(10,169)
Other comprehensive loss for the year	**(16,321)**	(10,169)
Total comprehensive income for the year	**7,882,365**	17,225,448
Attributable to:		
Shareholders of the Parent Company	**7,882,365**	17,225,448
Total comprehensive income for the year	**7,882,365**	17,225,448

The accompanying notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 31 December 2017	**22,000,000**	**1,463,000**	**6,871,285**	**(3,772)**	**28,835,460**	**59,165,973**
Impact of adoption of IFRS 9	-	-	-	-	(277,034)	(277,034)
Balance at 1 January 2018	22,000,000	1,463,000	6,871,285	(3,772)	28,558,426	58,888,939
Comprehensive income						
Profit for the year	-	-	-	-	17,235,617	17,235,617
Other comprehensive loss for the year	-	-	-	(10,169)	-	(10,169)
Total comprehensive income for the year	-	-	-	(10,169)	17,235,617	17,225,448
Dividend distributed for the year 2017 (note 10)	-	-	-	-	(6,600,000)	(6,600,000)
Transfer to statutory reserve	-	-	1,783,409	-	(1,783,409)	-
Balance at 31 December 2018	**22,000,000**	**1,463,000**	**8,654,694**	**(13,941)**	**37,410,634**	**69,514,387**
Comprehensive income						
Profit for the year	-	-	-	-	7,898,686	7,898,686
Other comprehensive loss for the year	-	-	-	(16,321)	-	(16,321)
Total comprehensive income for the year	**-**	**-**	**-**	**(16,321)**	**7,898,686**	**7,882,365**
Dividend distributed for the year 2018 (note 10)	-	-	-	-	(8,800,000)	(8,800,000)
Transfer to statutory reserve	-	-	839,546	-	(839,546)	-
Balance at 31 December 2019	**22,000,000**	**1,463,000**	**9,494,240**	**(30,262)**	**35,669,774**	**68,596,752**

The accompanying notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

Integrated Holding Company K.S.C.P. and its Subsidiaries
State of Kuwait

Consolidated statement of cash flows
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Note	Year ended 31 December 2019	2018
Operating activities			
Profit for the year		**7,898,686**	17,235,617
Adjustments for:			
Depreciation	7	**8,124,244**	10,813,856
Depreciation on right-of-use assets	3.1	**66,904**	-
Finance costs		**524,076**	347,110
Provision for employees' end of service benefits	13	**232,031**	334,977
Net impairment loss on financial assets	4.1 (b)	**2,093,256**	585,564
Unrealized exchange (gain) / loss on borrowings	12	**(189,433)**	(287,485)
Gain on sale of subsidiary		**-**	(123,442)
Gain on disposal of property and equipment	18	**(1,377,799)**	(1,398,328)
		17,371,965	27,507,869
Changes in working capital:			
Trade and other receivables		**(2,733,259)**	(454,959)
Inventories		**174,128**	(169,936)
Trade and other payables		**(11,901,202)**	4,740,307
Cash generated from operations		**2,911,632**	31,623,281
Employees' end of service benefits paid	13	**(111,343)**	(85,232)
Net cash generated from operating activities		**2,800,289**	31,538,049
Investing activities			
Purchase of property and equipment	7	**(9,217,049)**	(14,554,504)
Proceeds from disposal of property and equipment		**3,324,929**	2,297,001
Proceeds from sale of subsidiary net of cash disposed		**-**	114,354
Net cash used in investing activities		**(5,892,120)**	(12,143,149)
Financing activities			
Dividends paid to Parent Company's shareholders		**(8,800,000)**	(6,600,000)
Proceeds from borrowings	12	**14,387,319**	1,621,004
Repayment of borrowings	12	**(4,914,951)**	(13,127,170)
Lease liabilities paid	3.1	**(59,236)**	-
Finance costs paid		**(489,849)**	(347,110)
Net cash generated from/ (used) in financing activities		**123,283**	(18,453,276)
Effect of foreign currency translation		**(13,106)**	(17,433)
Net (decrease)/ increase in bank balances and cash		**(2,981,654)**	924,191
Bank balances and cash at beginning of the year		**4,769,603**	3,845,412
Bank balances and cash at end of the year	9	**1,787,949**	4,769,603
Non cash transactions			
Impact of adoption of IFRS 9 at 1 January 2018		**-**	277,034
Right-of-use assets	3.1	**(764,031)**	-
Lease liabilities	3.1	**764,031**	-

The accompanying notes set out on pages 11 to 41 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Integrated Holding Company K.S.C.P. ("the Parent Company") is a Kuwaiti Holding Company registered in Kuwait was incorporated on 4 June 2005 according to Commercial Companies Law (15) for 1960, as amended. On 10 April 2018, the Parent Company filed an application with the Capital Market Authority (CMA) in Kuwait for listing of its shares on the Kuwait Stock Exchange. The CMA gave the approval on 4 July 2018 and as a result, the shares of the Parent Company were listed on the Kuwait Stock Exchange on 15 July 2018.

The Group had 2,505 employees as at 31 December 2019 (31 December 2018: 2,606 employee).

The registered office of the Parent Company is Building 7, block 6, East Ahmadi, Post Box 750, Dasman 15458, Kuwait.

The principal activities of the Parent Company are:

- Acquiring shares in Kuwaiti or foreign shareholding companies as well as acquisition of shares in Kuwaiti or foreign companies with limited liability or participate in the incorporation of such two types of companies and management thereof and guaranteeing them with third parties;
- Lending money to the companies in which it holds shares. In such case, the company's share in the capital of the borrower company shall not be less than 20%;
- Acquiring industrial property rights including patents, trademarks, industrial marks or industrial drawings or any other rights related thereto and lease the same to other companies for use inside or outside Kuwait;
- Acquiring necessary movable and immovable properties for carrying out its business to the extent permitted by the law; and
- Utilizing the financial surpluses available with the Company through investing the same in financial portfolios managed by specialized companies and entities.

Following are the Parent Company's fully owned subsidiaries:

				Ownership (%)	
Sr. No.	**Subsidiary name**	**Activity**	**Country of incorporation**	**31 December 2019**	**31 December 2018**
1	Integrated Logistics Company K.S.C.C.	Logistics Service	Kuwait	100%	100%
2	Integrated Heavy Lift Company K.S.C.C.	Logistics Service	Kuwait	100%	100%
3	Integrated Logistics Company W.L.L.	Logistics Service	Qatar	100%	100%
4	Integrated Project Company K.S.C.C.	Infrastructure contracting	Kuwait	100%	100%
5	Integrated Equipment Company W.L.L.	General trading and contracting	Kuwait	100%	100%
6	Integrated Logistics Company LLC	Transportation Service	UAE	100%	100%
7	Integrated Transport Project Company W.L.L.	Transportation Service	Saudi Arabia	100%	100%

1 GENERAL INFORMATION (Continued)

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorized for issuance in accordance with a resolution of the Parent Company's Board of Directors on 23 March 2020 and are subject to the approval of the Annual General Assembly of the Parent Company's shareholders. The Annual General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

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

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2.1.1 Changes in accounting estimates, policies and disclosures

(a) New and amended standards adopted by the Group:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatment

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting estimates, policies and disclosures (continued)

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019 (if any). This is disclosed in Note 3. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

(b) New standards and interpretations not yet adopted:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation

(a) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of income, comprehensive income, changes in equity and financial position respectively.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated statement of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the following items over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income as a bargain purchase:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of income.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified by the Parent Company's Board of Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Parent Company's presentation and functional currency and the presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of income on a net basis.

(c) Group companies

The results and financial position of all foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
(b) Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of income, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost of an item of property and equipment includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing property and equipment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Land is not depreciated. Capital work in progress will be depreciated upon the asset is being ready for its intended use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	25 - 30 years
Fleet	5 - 20 years
Machinery	5 years
Equipment and tools	5 years
Vehicles	5 years
Furniture and fixtures	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal (if any) are determined by comparing the proceeds with the carrying amounts and are recognised within in the consolidated statement of income.

2.5 Intangible assets

Intangible assets represent rights to utilise land by the Group. Utilisation rights acquired separately are measured on initial recognition at cost. Following initial recognition, utilisation rights with indefinite useful life are carried at cost less accumulated impairment losses, if any.

Utilisation rights with indefinite useful life is not amortised but assessed for impairment annually, whether or not there is an indication of impairment.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods includes the purchase price, transportation, handling and other direct costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

2.8 Financial assets

2.8.1 Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through the consolidated statement of income), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(a) The Group has no investments held either through OCI or through consolidated statement of income.

(b) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(c) Bank balances and cash

Bank balances and cash include cash on hand and bank balances held with financial institutions.

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (continued)

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.
Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in the consolidated statement of income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of income. Impairment losses are presented as separate line item in the consolidated statement of income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated statement of income as other income when the Group's right to receive payments is established.

Subsequent to the initial recognition, financial assets other than those carried at fair value through other comprehensive income are carried at amortised costs using the effective interest method.

2.8.4 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While bank balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Employees' end of service benefits

The Group is liable under Labor Laws' in respective countries, to make payments to the employees for post-employment benefits through defined benefits plan. Such payment is made on a lump sum basis at the end of an employee's service. This liability is unfunded and is computed as the amount payable as a result of involuntary termination of the Group's employees on the reporting date. The Group expects this method to produce a reliable approximation of the present value of this obligation.

With respect to its national employees, the Parent Company also makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries.

2.10 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The Group classifies its financial liabilities as "borrowings", "lease liabilities", and "trade and other payables".

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of income as finance income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Revenue recognition

(i) Equipment hire and transportation services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period because the customer receives and uses the benefits simultaneously. This is determined based on the actual rental hours spent.

There is no contracts which include multiple deliverables. It is therefore accounted for as a single performance obligation.

The contracts includes an hourly fee and revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

The Group normal business operations consist of the provision of equipment hire and transportation services. For sales of services i.e. equipment hire and transportation, revenue is recognised in the accounting period in which the control is transferred.

(ii) Equipment and goods sale

Sales are recognised when control of the equipment and goods has transferred, being when the equipment and goods is delivered to the customer, the customer has full discretion over the channel and price to sell the equipment and the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the equipment and goods. Delivery occurs when the equipment and goods have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the equipment and the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change are described in note 3.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

2.15 Finance costs

General and specific finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other finance costs are recognised in the consolidated statement of income in the year in which they are incurred.

2.16 Dividends distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.17 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 KFAS, NLST and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and Zakat represent levies imposed on the Group at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levy regulations no carry forward of losses is permitted and there are no significant differences between the levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Statutory levy	**Rate**
Contribution to KFAS	1.0% of net profit less permitted deductions
NLST	2.5% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

3 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of adoption IFRS 16 Leases on the Group's consolidated financial statements.

3.1 Impact on the consolidated financial statements

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019 (if any).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

Practical expedients applied
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation for determining whether an arrangement contains a lease

3 CHANGE IN ACCOUNTING POLICIES (Continued)

3.1 Impact on the consolidated financial statements (Continued)

Measurement of lease liabilities

Operating lease commitments as at 31 December 2018	**1,029,244**
Borrowing rate at the date of initial application	**4%**
Lease liability recognised as at 1 January 2019 (discounted)	**764,031**

Of which are:

	31 December 2019	1 January 2019
Current lease liabilities	**26,134**	66,568
Non-current lease liabilities	**712,905**	697,463
	739,039	764,031

The total cash outflow for leases including interest during the year ended 31 December 2019 was KD 59,236.

Measurement of right-of-use assets
The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

Adjustments recognised in the consolidated statement of financial position on 1 January 2019.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by KD 764,031
- lease liabilities – increase by KD 764,031

The movement in the right-of-use assets is as follows:

Balance beginning of period	**764,031**
Depreciation	**(66,904)**
Foreign currency translation	**17**
Balance end of period	**697,144**

Finance cost from lease liabilities of KD 34,227 is recognised in the consolidated statement of income.

There was no impact on retained earnings on 1 January 2019 as the Group did not have any finance lease as at 31 December 2018.

3 CHANGES TO ACCOUNTING POLICIES (CONTINUED)

3.2 IFRS 16 "Leases" – Accounting policies

The Group leases its properties from different lessors. Rental contract is made for a fixed period of between 3 to 12 years but may have extension options. Lease term are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, lease of properties were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks such as market risk (including foreign currency risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department as approved by the Group's board of directors.

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US Dollar (USD), Euro (EUR), UAE Dirhams (AED), Saudi Riyal (SAR) and Qatari Riyal (QAR). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Positions are monitored on a regular basis to ensure that the Group's exposure on foreign currency risk is maintained within established limits. If the risk exceeds these limits, the Group will take appropriate measure to bring it back within the set limits. The Group manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements and Group's foreign currency monetary assets and liabilities.

Exposure
The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Kuwaiti Dinars, was as follows:

	As at 31 December	
	2019	2018
	KD (equivalent)	KD (equivalent)
USD	624,935	445,373
EUR	(3,260,628)	(17,869,644)
AED	303,247	263,218
SAR	199,445	18,136
QAR	1,920,152	(1,019)

Sensitivity
The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the USD, EUR, AED, SAR and QAR with all other variables held constant, on the profit and equity.

		Effect on profit/equity	
	Change in Currency rate	**2019**	2018
USD	+5%	**(31,247)**	(22,269)
EUR	+5%	**163,031**	893,482
AED	+5%	**(15,162)**	(13,161)
SAR	+5%	**(9,972)**	(907)
QAR	+5%	**(96,008)**	51

The decrease in foreign currency percentage movement will have opposite effect on profit and equity.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Amounts recognised in consolidated statement of income:
During the year, the following foreign exchange related amounts were recognised in consolidated statement of income:

	Year ended 31 December	
	2019	2018
Exchange gain on foreign currency borrowing	**189,433**	287,485
Exchange gain on trade and other payables	**156,930**	424,122
Other exchange gain/ (loss)	**(13,871)**	107,674
	332,492	819,281

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group's profit/interest rate risk arises from borrowings (Islamic financing and term loans). The Group analyses its profit/interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on the consolidated statement of income of a defined profit/interest rate shift. For each simulation, the same profit/interest rate shift is used for all currencies. Positions are monitored on a regular basis to ensure positions are maintained within established limits. The Group is not exposed to cash flow interest rate risk in the case of Islamic financing as these carry profit rates which are agreed at the time of transactions and effective yield rate is consequently fixed for the duration of the contract.

The following table illustrates the sensitivity of the profit for the year as well as equity to a reasonably possible change in interest rates of term loans by 1% (2018: 1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each financial position date. A positive number below indicates a decrease in profit and equity. A negative number indicates an increase in profit and equity.

		2019	2018
	Change in interest rate	**Effect on profit / equity**	Effect on profit / equity
Kuwaiti Dinar	**+1%**	**154,159**	56,370

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from bank balances and credit exposures to contract customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with the highest rating are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	As at 31 December	
	2019	2018
Trade and other receivables, excluding prepaid expenses (note 8)	**16,383,582**	15,794,720
Cash and cash equivalents, excluding cash on hand (note 9)	**1,762,426**	4,744,223
	18,146,008	20,538,943

(ii) Security

For some trade receivables the Group may obtain security in the form of guarantees, letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the forward-looking factor based on the countries in which it sells its goods and equipment and rendering services, and accordingly adjusts the historical loss rates based on expected changes in these factors.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Impairment of financial assets (Continued)

On that basis, the loss allowance as at 31 December 2019, 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

31 December 2019	**Current**	**Up to 90 days past due**	**Up to 180 days past due**	**Up to 365 days past due**	**Total**
Expected loss rate*	10.40%	12.77%	25.42%	59.02%	
Gross carrying amount – trade receivables	6,142,533	2,518,499	2,734,493	4,662,841	16,058,366
Loss allowance	**638,861**	**321,670**	**695,215**	**2,751,887**	**4,407,633**

31 December 2018	Current	Up to 90 days past due	Up to 180 days past due	Up to 365 days past due	Total
Expected loss rate*	1.22%	4.11%	12.66%	80.70%	
Gross carrying amount – trade receivables	7,465,064	2,928,164	2,975,735	2,499,000	15,867,963
Loss allowance	91,074	120,054	376,728	2,016,693	2,604,549

1 January 2018	Current	Up to 90 days past due	Up to 180 days past due	Up to 365 days past due	Total
Expected loss rate*	1%	3.49%	13.81%	83.62%	
Gross carrying amount – trade receivables	10,970,586	2,534,922	1,251,545	2,211,355	16,968,408
Loss allowance	109,706	88,469	172,838	1,849,135	2,220,148

* The above expected loss rates are the average rates for the subsidiaries of the Group.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) *Credit* risk (Continued)

(iii) Impairment of financial assets (Continued)

The closing loss allowances for trade receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2019	2018
31 December – Calculated Under IAS 39	**2,604,549**	1,943,114
Amounts adjusted through opening retained earnings	**-**	277,034
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**2,604,549**	2,220,148
Increase in loss allowance recognised in the consolidated statement of income during the year	**2,193,160**	678,846
Unused amounts reversed	**(99,904)**	(93,282)
Receivables written off during the year as uncollectible	**(288,636)**	(207,938)
Foreign currency translation	**(1,536)**	6,775
At 31 December	**4,407,633**	2,604,549

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

During the year, the following gains/(losses) were recognised in the consolidated statement of income in relation to impaired financial assets:

	Trade receivables	
	2019	2018
Impairment loss		
Increase in loss allowance	**2,193,160**	678,846
Unused amount reversed	**(99,904)**	(93,282)
Net impairment loss on financial assets	**2,093,256**	585,564

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities) and bank balances and cash on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates.

In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring consolidated statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2019	***Less than 1 year***	***Between 1 to 2 years***	***Between 2 to 5 years***	***Total***	***Carrying amount***
Liabilities					
Borrowings	**6,127,421**	**4,332,990**	**5,428,551**	**15,888,962**	**15,415,908**
Trade and other payables	**6,870,800**	**-**	**-**	**6,870,800**	**6,870,800**
Lease liabilities	**26,134**	**77,996**	**634,909**	**739,039**	**739,039**
Total liabilities	**13,024,355**	**4,410,986**	**6,063,460**	**23,498,801**	**23,025,747**

At 31 December 2018	*Less than 1 year*	*Between 1 to 2 years*	*Between 2 to 5 years*	*Total*	*Carrying amount*
Liabilities					
Borrowings	2,955,683	2,089,180	1,184,591	6,229,454	6,132,973
Trade and other payables	18,771,838	-	-	18,771,838	18,771,838
Total liabilities	21,727,521	2,089,180	1,184,591	25,001,292	24,904,811

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. 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.

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 capital. Net debt is calculated as borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) and lease liabilities less bank balances and cash. Total capital is calculated as "equity" as shown in the consolidated statement of financial positions plus net debt.

The gearing ratios at 31 December were as follows:

	As at 31 December	
	2019	2018
Borrowings	**15,415,908**	6,132,973
Lease liabilities	**739,039**	-
Bank balances and cash	**(1,787,949)**	(4,769,603)
Net debt	**14,366,998**	1,363,370
Total equity	**68,596,752**	69,514,387
Total capital	**82,963,750**	70,877,757
Gearing ratio	**17%**	2%

The net debt to equity ratio increased from 2% to 17% following the adoption of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019.

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the gearing ratio must be not more than 30%,
- the year to service debt must not exceed 1.75 times
- debt should not exceed 50% of assets net book value
- the leverage ratio must not exceed 1.25 times, and
- the debt to equity ratio must not be more than 50%

The group has complied with these covenants throughout the reporting period.

4.3 Fair value estimate

As at the reporting date, the carrying values of all financial assets and financial liabilities approximate their fair value.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and impairment of property and equipment

The Group determines the estimated useful lives and residual values of property and equipment. Management reviews the residual value over their estimated useful lives. The Group uses the straight line method to compute depreciation to reduce the cost of assets to their estimated residual values over their expected useful lives. The useful lives of property and equipment carried by the Group are estimated to be between 5 and 30 years.

During the period the group has changed the useful lives of certain assets. This change in estimate was applied as on 1 January 2019 prospectively and resulted in a decrease in depreciation expense by KD 3,090,546 for the year ended 31 December 2019. Had the accounting estimate not been changed, the reported net profit of the group would have decreased by KD 3,090,546.

Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable asset. The useful life of certain assets are changed from 5 to 7 years, 5 to 10 years, 5 to 20 years, 7 to 10 years, 9 to 12 years, 10 to 12 years, 10 to 14 years, 10 to 18 years, 10 to 20 years and 14 to 18 years

At the financial position date, management assesses, whether there is any indication that property and equipment may be impaired. The recoverable amount of an asset is determined based on market value of such asset to its carrying value. During the year, no impairment of property and equipment was recorded (2018: nil).

(b) Useful live and impairment of intangible assets

Intangible assets represents rights acquired from the Government to utilize land. The Group is required to make a lump-sum payment for acquiring the right to utilize the land as agreed with the Government. The right to utilize the land was acquired with the intention of holding it to construct the Group's head office on it. The right to utilize the land is obtained from the Government for a specified period of time with renewal options and the right can be sold to a third party.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.1 Critical accounting estimates and assumptions (Continued)

Management applies judgement in determining the period over which the Group will use the right to utilize the land by considering the renewal option and whether or not the Government will renew the right to utilize the land. Management believes that the Group will renew the right to utilize the land and that the Government will agree to the renewal for an indefinite period. Management believes that renewal is virtually certain and that the Group will continue to use the land for an indefinite period and therefore management has determined that the intangible asset has an indefinite useful life.

Intangible assets that have an indefinite useful life are tested for impairment, if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the intangible asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal. Management determines fair value based market value of such asset. During the year, no impairment of intangible assets was recorded (2018: nil).

(c) Impairment of financial assets

The impairment of trade and other receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

6 INTANGIBLE ASSETS

Intangible assets represent utilization right obtained by the Group to utilise land in Kuwait and KSA.

	KD
Cost	
At 1 January 2018	711,277
Exchange difference	73
As at 31 December 2018	**711,350**
Exchange difference	(12)
As at 31 December 2019	**711,338**

Intangible assets represents utilisation rights for leasehold land taken on lease from the Government. Utilisation rights is not subject to amortization charge as it has an indefinite useful life since renewing the lease is virtually certain and the Parent Company will continue to generate future economic benefit from utilizing the leasehold land without incurring significant cost.

7 PROPERTY AND EQUIPMENT

	Freehold Land	Buildings	Fleet	Machinery	Equipment and tools	Vehicles	Furniture and Fixtures	Capital Work in Progress	Total
At 1 January 2018									
Cost	293,416	1,441,793	120,262,260	1,884,373	2,309,501	1,455,516	129,270	504,773	128,280,902
Accumulated depreciation	-	(442,987)	(53,367,393)	(1,730,724)	(1,121,105)	(992,004)	(100,126)	-	(57,754,339)
Net book amount	**293,416**	**998,806**	**66,894,867**	**153,649**	**1,188,396**	**463,512**	**29,144**	**504,773**	**70,526,563**
Year ended 31 December 2018									
Opening net book amount	293,416	998,806	66,894,867	153,649	1,188,396	463,512	29,144	504,773	70,526,563
Additions	-	-	10,057,433	391,023	371,939	311,270	795	3,422,044	14,554,504
Transfers	-	563	243,438	8,377	2,763	12,146	70	(267,357)	-
Disposal related to sale of subsidiary	-	-	-	-	-	-	(250)	-	(250)
Disposals	-	-	(5,018,368)	-	-	(125,657)	(17,091)	-	(5,161,116)
Depreciation charge	-	(202,382)	(10,090,695)	(83,039)	(239,755)	(191,405)	(6,580)	-	(10,813,856)
Accumulated depreciation related to sale of subsidiary	-	-	-	-	-	-	140	-	140
Depreciation related to disposals	-	-	4,133,025	-	-	121,421	7,997	-	4,262,443
Exchange differences	1,044	(56)	19,318	4	35	19	6	845	21,215
Closing net book amount	**294,460**	**796,931**	**66,239,018**	**470,014**	**1,323,378**	**591,306**	**14,231**	**3,660,305**	**73,389,643**
At 31 December 2018									
Cost	294,460	1,442,469	125,576,243	2,283,791	2,684,325	1,653,720	112,824	3,660,305	137,708,137
Accumulated depreciation	-	(645,538)	(59,337,225)	(1,813,777)	(1,360,947)	(1,062,414)	(98,593)	-	(64,318,494)
Net book amount	**294,460**	**796,931**	**66,239,018**	**470,014**	**1,323,378**	**591,306**	**14,231**	**3,660,305**	**73,389,643**
Year ended 31 December 2019									
Opening net book amount	294,460	796,931	66,239,018	470,014	1,323,378	591,306	14,231	3,660,305	73,389,643
Additions	-	41,410	6,890,851	83,301	266,499	176,581	782	1,757,625	9,217,049
Transfers	-	-	2,785,790	11,150	250,000	-	1,053	(3,047,993)	-
Disposals	-	-	(7,095,611)	(125,331)	-	(23,977)	-	-	(7,244,919)
Depreciation charge	-	(172,382)	(7,441,903)	(130,986)	(164,436)	(208,949)	(5,588)	-	(8,124,244)
Depreciation related to disposals	-	-	5,148,481	125,331	-	23,977	-	-	5,297,789
Exchange differences	(187)	11	(4,552)	3	(128)	(43)	(1)	(1,364)	(6,261)
Closing net book amount	**294,273**	**665,970**	**66,522,074**	**433,482**	**1,675,313**	**558,895**	**10,477**	**2,368,573**	**72,529,057**
At 31 December 2019									
Cost	294,273	1,483,890	128,152,721	2,252,914	3,200,696	1,806,281	114,658	2,368,573	139,674,006
Accumulated depreciation	-	(817,920)	(6,163,0647)	(1,819,432)	(1,525,383)	(1,247,386)	(104,181)	-	(67,144,949)
Net book amount	**294,273**	**665,970**	**66,522,074**	**433,482**	**1,675,313**	**558,895**	**10,477**	**2,368,573**	**72,529,057**

7 PROPERTY AND EQUIPMENT (Continued)

Depreciation charges for the year is included in the consolidated statement of income under the following line items:

	Year ended 31 December	
	2019	2018
Cost of providing services (note 16)	**7,929,500**	10,614,824
General and administrative expenses (note 17)	**261,648**	199,032
Total	**8,191,148**	10,813,856

Refer to note 5.1 (a) for change in useful lives.

8 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
Trade receivables	**16,058,366**	15,867,963
Loss allowance of trade receivables (note 4.1 (b))	**(4,407,633)**	(2,604,549)
	11,650,733	13,263,414
Amount due from a related party (note 20)	**77,551**	1,192
Deposits	**219,011**	213,169
Advance to suppliers and employees	**467,164**	685,319
Prepaid expenses	**220,825**	166,615
Other receivables	**3,969,123**	1,631,626
	16,604,407	15,961,335

During the year, trade receivables with an amount of KD 288,636 have been written off (2018: KD 207,938).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
Kuwaiti Dinars	**10,405,482**	12,390,319
Qatari Riyal	**2,528,906**	2,397,872
US Dollar	**569,601**	671,011
Saudi Riyal	**260,822**	50,050
UAE Dirham	**302,931**	302,963
Other currencies	**2,536,665**	149,120
	16,604,407	15,961,335

9 BANK BALANCES AND CASH

	As at 31 December	
	2019	2018
Bank balances	**1,762,426**	4,744,223
Cash on hand	**25,523**	25,380
	1,787,949	4,769,603

10 SHARE CAPITAL

The authorised, issued and paid up share capital of the Parent Company as at 31 December 2019 is KD 22,000,000 consisting of 220,000,000 shares of 100 fils each (2018: KD 22,000,000 consisting of 220,000,000 shares of 100 fils each).

Based on approval of the Annual General Assembly meeting of the shareholders held on 21 April 2019 the distribution of cash dividends of 40 fils per share amounting to KD 8,800,000 for the year ended 31 December 2018 (2017: cash dividends of 30 fils per share amounting to KD 6,600,000). No bonus shares were issued for 31 December 2019 (2018: Nil).

Proposed dividends
Subject to requisite consent of the relevant authorities and approval of the general assembly of the shareholders, the Board of Directors have recommended distribution of cash dividend of 30 fils per share amounting to KD 6,600,000 for the year ended 31 December 2019.

11 STATUTORY RESERVE

In accordance with the Companies' Law No. 1 of 2016, and the Parent Company's Articles of Association, as amended, 10 % of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the statutory reserve until the reserve totals 50 % of the paid up share capital. Distribution of the 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. During the year, an amount of KD 839,546 (2018: KD 1,783,409) transferred to the statutory reserve.

12 BORROWINGS

	As at 31 December	
	2019	2018
Current		
Term Loans	**5,533,573**	2,396,318
Tawaruq payables	**-**	496,006
Murabaha payables	**593,848**	-
	6,127,421	2,892,324
Non-Current		
Term Loans	**7,952,335**	3,240,649
Murabaha payables	**1,336,152**	-
	9,288,487	3,240,649
Total	**15,415,908**	6,132,973

12 BORROWINGS (continued)

Borrowings represents amounts obtained from local and international banks to finance the Group's normal activities. Borrowings bear profit/interest rates ranging from 0.9% to 4.5% (2018: from 0.9% to 4.5%) including central bank of Kuwait rate and EURIBOR. The repayment of borrowings is as per agreed repayment schedule. The facility agreements include negative pledge on sale of assets.

The movement of borrowings is as follows:

	Year ended 31 December	
	2019	2018
At 1 January	**6,132,973**	17,926,624
Proceeds from borrowings	**14,387,319**	1,621,004
Repayment of borrowings	**(4,914,951)**	(13,127,170)
Foreign currency translation	**(189,433)**	(287,485)
At 31 December	**15,415,908**	6,132,973

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2019	2018
Kuwaiti Dinars	**12,315,141**	496,006
Euro	**3,100,767**	5,636,967
	15,415,908	6,132,973

13 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	Year ended 31 December	
	2019	2018
As at 1 January	**1,446,693**	1,196,351
Provided for during the year	**232,031**	334,977
End of service benefits paid	**(111,343)**	(85,232)
Foreign currency translation	**(153)**	597
As at 31 December	**1,567,228**	1,446,693

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
Trade payables	**3,996,591**	14,432,630
Accrued and provision expenses	**1,250,298**	2,751,020
Accrued staff cost	**1,119,694**	1,243,651
Other payables	**504,217**	344,537
Total	**6,870,800**	18,771,838

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2019	2018
Kuwaiti Dinars	**3,581,149**	5,557,615
Euro	**2,704,919**	12,380,328
Qatari Riyal	**275,210**	413,534
Other currencies	**309,522**	420,361
	6,870,800	18,771,838

15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

The Group derives revenue from hiring equipment, transportation services and sale of equipment and goods. The following major revenue streamlines:

2019	**Equipment hire**	**Transportation**	**Sales of goods**	**Total**
Timing of revenue recognition				
At a point in time	**-**	**-**	**59,734**	**59,734**
Over time	**27,459,182**	**2,075,668**	**-**	**29,534,850**
	27,459,182	**2,075,668**	**59,734**	**29,594,584**

2018	Equipment hire	Transportation	Equipment sale	Sales of goods	Total
Timing of revenue recognition					
At a point in time	-	-	240,000	80,741	320,741
Over time	38,693,980	2,946,627	-	-	41,640,607
	38,693,980	2,946,627	240,000	80,741	41,961,348

16 COST OF PROVIDING SERVICES

	Year ended 31 December	
	2019	2018
Depreciation (note 7)	**7,929,501**	10,614,824
Staff costs	**6,825,632**	7,233,583
Rent expenses	**85,963**	107,597
Fleet consumables and maintenance	**2,183,202**	2,355,434
Subcontract expenses	**658,689**	856,594
Mobilization expenses	**36,029**	106,058
Others	**354,405**	314,414
Total	**18,073,421**	21,588,504

17 GENERAL AND ADMINSTRATIVE EXPENSES

	Year ended 31 December	
	2019	2018
Staff costs	**1,355,139**	2,674,985
Depreciation (note 7)	**261,647**	199,032
Rent expenses	**259,151**	304,951
Others	**719,192**	708,451
Total	**2,595,129**	3,887,419

18 OTHER INCOME

	Year ended 31 December	
	2019	2018
Gain on disposal of property and equipment	**1,377,799**	1,398,328
Gain on sale of subsidiary	**-**	123,442
Others	**440,052**	230,148
Total	**1,817,851**	1,751,918

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding adjusted for bonus shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. At the reporting date, the Group had no dilutive shares (2018: Nil). The information necessary to calculate earnings per share based on the weighted average number of shares outstanding during the year is as follows:

19 EARNINGS PER SHARE (Continued)

	Year ended 31 December	
	2019	2018
Profit for the year attributable to shareholders of the Parent Company	**7,898,686**	17,235,617
<u>**Number of shares outstanding:**</u>		
Weighted average number of shares outstanding	**220,000,000**	220,000,000
Basic and diluted earnings per share attributable to shareholders of the Parent Company (fils)	**35.90**	78.34

20 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent 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 with related parties are as follows:

A. Balances included in the consolidated statement of financial position

	As at 31 December	
	2019	2018
Amount due from a related party (sale of service)		
Burgan Company for Well Drilling, Trading & Maintenance KSCC – Affiliate (note 8)	**77,551**	1,192

B. Transactions included in the consolidated statement of income

	Year ended 31 December	
	2019	2018
Revenue	**118,022**	44,369
Directors' remuneration	**(60,000)**	(60,000)
Key management compensation:		
Short term benefits	**1,135,385**	1,619,657
Termination benefits	**47,001**	54,596
	1,182,386	1,674,253

21 COMMITMENTS

	As at 31 December	
	2019	2018
Capital Commitments	**39,326**	210,301
Letter of credit	**2,988,572**	831,171
Letters of guarantee	**1,429,138**	2,404,531
Total	**4,457,036**	3,446,003

22 SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by board of directors represented by the chief operating decision-maker for the purposes of allocating resources and assessing performance. The chief operating decision-maker organises the entity based on different geographical areas, inside and outside Kuwait. There are no inter-segmental transactions. The following table presents the geographical analysis of the Group's assets, liabilities, revenues, expenses, and profit for the year ended 31 December 2019 and 31 December 2018 respectively:

		31 December 2019	
	Inside Kuwait	**Outside Kuwait**	**Total**
Assets	**78,098,227**	**15,091,500**	**93,189,727**
Liabilities	**10,600,473**	**13,992,502**	**24,592,975**
Revenues	**27,034,974**	**4,709,953**	**31,744,927**
Expenses	**(18,377,954)**	**(4,944,211)**	**(23,322,165)**
Profit for the year	**8,174,947**	**(276,261)**	**7,898,686**
Depreciation	**(7,062,344)**	**(1,128,804)**	**(8,191,148)**
Finance cost	**(482,073)**	**(42,003)**	**(524,076)**
Capital expenditures	**5,198,637**	**4,018,412**	**9,217,049**

		31 December 2018	
	Inside Kuwait	Outside Kuwait	Total
Assets	82,982,434	12,883,457	95,865,891
Liabilities	15,694,411	10,657,093	26,351,504
Revenues	39,955,715	4,576,832	44,532,547
Expenses	(23,533,712)	(3,416,108)	(26,949,820)
Profit for the year	16,086,893	1,148,724	17,235,617
Depreciation	(9,788,461)	(1,025,395)	(10,813,856)
Finance cost	(335,110)	(12,000)	(347,110)
Capital expenditures	9,789,485	4,765,019	14,554,504

23 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 11 March 2020, the World Health Organization characterized Covid-19 as a pandemic, negatively impacting global markets, disrupting supply chains, and changing social behavior. It is uncertain if Covid-19 will continue disrupting global markets and what impact it will have on the Group's operation. As the situation is fluid and rapidly evolving, the Group do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's IFRS 9 estimates of expected credit loss provisions in 2020.