

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2019**



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

### **Report on the Audit of Consolidated Financial Statements**

#### *Opinion*

We have audited the consolidated financial statements of the Jassim Transport & Stevedoring Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for Opinion*

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

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

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

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

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

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

### **Report on the Audit of Consolidated Financial Statements (consolidation)**

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

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

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

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

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

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

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

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

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

**Report on the Audit of Consolidated Financial Statements (consolidation)**


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

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

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

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



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

10 May 2020  
Kuwait

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019 KD</b>	<b>2018 KD</b>
Revenue	3	<b>24,004,963</b>	25,674,534
Operating expenses	4	<b>(14,571,677)</b>	(14,902,636)
<b>GROSS PROFIT</b>		<b>9,433,286</b>	10,771,898
Other income	5	<b>411,064</b>	256,400
Administrative expenses	6	<b>(2,587,536)</b>	(2,392,817)
Finance costs		<b>(128,916)</b>	(52,601)
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), ZAKAT AND DIRECTORS' REMUNERATION</b>		<b>7,127,898</b>	8,582,880
KFAS		<b>(71,279)</b>	(85,829)
Zakat		<b>(71,279)</b>	(85,829)
Directors' remuneration		<b>(34,000)</b>	-
<b>PROFIT FOR THE YEAR</b>		<b>6,951,340</b>	8,411,222
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	17	<b>46 fils</b>	56 fils

The attached notes 1 to 22 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Note</i>	<b>2019</b> <b>KD</b>	<b>2018</b> <b>KD</b>
<b>Profit for the year</b>		<b>6,951,340</b>	<b>8,411,222</b>
<b>Other comprehensive (loss) income:</b>			
<i>Items that are or may be subsequently reclassified to consolidated statement of income:</i>			
Exchange difference on translation		(4,432)	9,591
<i>Items that will not be subsequently reclassified to consolidated statement of income:</i>			
Revaluation of leasehold land	7	252,000	-
Unrealized gain on financial assets at fair value through other comprehensive income		77,590	27,478
<b>Other comprehensive income for the year</b>		<b>325,158</b>	<b>37,069</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,276,498</b>	<b>8,448,291</b>


The attached notes 1 to 22 form part of these consolidated financial statements.

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


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 KD	2018 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	37,208,385	38,535,331
Right of use assets	8	1,133,861	-
		<u>38,342,246</u>	<u>38,535,331</u>
<b>Current assets</b>			
Inventories		534,426	544,323
Financial assets at fair value through other comprehensive income	20	211,748	134,158
Trade receivables and prepayments	9	7,117,031	6,663,560
Cash and cash equivalents	10	5,541,676	4,988,373
		<u>13,404,881</u>	<u>12,330,414</u>
<b>TOTAL ASSETS</b>		<u><b>51,747,127</b></u>	<u><b>50,865,745</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	15,000,000	15,000,000
Statutory reserve	12	5,692,824	4,980,034
Revaluation surplus	12	9,425,000	9,173,000
Fair value reserve		105,068	27,478
Foreign currency translation reserve		(1,246)	3,186
Retained earnings		15,684,705	15,446,155
<b>Total equity</b>		<u><b>45,906,351</b></u>	<u><b>44,629,853</b></u>
<b>Non-current liabilities</b>			
Lease liabilities	8	618,364	-
Employees' end of service benefits	13	1,540,567	1,585,199
		<u>2,158,931</u>	<u>1,585,199</u>
<b>Current liabilities</b>			
Lease liabilities	8	575,143	-
Trade payables and accruals	14	3,106,702	4,650,693
		<u>3,681,845</u>	<u>4,650,693</u>
<b>Total liabilities</b>		<u><b>5,840,776</b></u>	<u><b>6,235,892</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>51,747,127</b></u>	<u><b>50,865,745</b></u>

  
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 Sheikh Ali Fawaz D. S. Al Sabah  
 (Chairman)

  
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 Adel Kohari  
 (Chief Executive Officer)

  
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 Rajeep Kulkarni  
 (Chief Financial Officer)

The attached notes 1 to 22 form part of these consolidated financial statements.

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

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital KD	Statutory reserve KD	Revaluation surplus KD	Fair value Reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
As at 1 January 2019	15,000,000	4,980,034	9,173,000	27,478	3,186	15,446,155	44,629,853
Profit for the year	-	-	-	-	-	6,951,340	6,951,340
Other comprehensive income (loss) for the year	-	-	252,000	77,590	(4,432)	-	325,158
Total comprehensive income (loss) for the year	-	-	252,000	77,590	(4,432)	6,951,340	7,276,498
Transfer to reserve	-	712,790	-	-	-	(712,790)	-
Dividend paid (Note 12)	-	-	-	-	-	(6,000,000)	(6,000,000)
<b>At 31 December 2019</b>	<b>15,000,000</b>	<b>5,692,824</b>	<b>9,425,000</b>	<b>105,068</b>	<b>(1,246)</b>	<b>15,684,705</b>	<b>45,906,351</b>
As at 1 January 2018	15,000,000	4,121,746	9,173,000	-	(6,405)	14,667,092	42,955,433
Impact on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	(173,871)	(173,871)
As at 1 January 2018 (restated)	15,000,000	4,121,746	9,173,000	-	(6,405)	14,493,221	42,781,562
Profit for the year	-	-	-	-	-	8,411,222	8,411,222
Other comprehensive income for the year	-	-	-	27,478	9,591	-	37,069
Total comprehensive income for the year	-	-	-	27,478	9,591	8,411,222	8,448,291
Transfer to reserve	-	858,288	-	-	-	(858,288)	-
Dividend paid (Note 12)	-	-	-	-	-	(6,600,000)	(6,600,000)
At 31 December 2018	15,000,000	4,980,034	9,173,000	27,478	3,186	15,446,155	44,629,853

The attached notes 1 to 22 form part of these consolidated financial statements.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

	<i>Notes</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the year		6,951,340	8,411,222
Non-cash adjustments to reconcile profit for the year to net cash flows:			
(Gain) loss on disposal of property, plant and equipment	5	(134,410)	3,366
Depreciation	7	4,028,392	3,780,975
Amortization on right of use asset	8	605,538	-
Provision for employees' end of service benefits	13	214,790	299,353
Provision for expected credit losses on trade receivables	9	217,830	199,604
Interest income	5	(79,284)	(77,749)
Finance costs		128,916	52,601
		<u>11,933,112</u>	<u>12,669,372</u>
Working capital changes:			
Inventories		9,897	(102,020)
Trade receivables and prepayments		(671,301)	883,904
Trade payables and accruals		(1,415,796)	(3,773,867)
		<u>9,855,912</u>	<u>9,677,389</u>
Cash flows from operations		9,855,912	9,677,389
Employees' end of service benefits paid	13	(259,422)	(155,645)
		<u>9,596,490</u>	<u>9,521,744</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(2,692,294)	(5,757,362)
Proceeds from disposal of property, plant and equipment		283,222	237,902
Net movement in fixed deposits	10	1,300,000	3,700,000
Purchase of financial assets at fair value through other comprehensive income		-	(106,680)
Interest income received	5	79,284	77,749
		<u>(1,029,788)</u>	<u>(1,848,391)</u>
Net cash flows used in investing activities		(1,029,788)	(1,848,391)
<b>FINANCING ACTIVITIES</b>			
Dividends paid	12	(6,000,000)	(6,600,000)
Finance costs paid		(56,811)	(52,601)
Finance costs paid on lease liability		(72,105)	-
Lease payments of principal amounts		(548,444)	-
		<u>(6,677,360)</u>	<u>(6,652,601)</u>
Net cash flows used in financing activities		(6,677,360)	(6,652,601)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		1,889,342	1,020,752
Effect of foreign currency translation		(36,039)	(86,266)
Cash and cash equivalents at 1 January		2,688,373	1,753,887
		<u>4,541,676</u>	<u>2,688,373</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>			
	10	4,541,676	2,688,373
<b>Non-cash transactions</b>			
Transitional adjustment to right of use asset on adoption of IFRS 16		1,740,136	-
Transitional adjustment to lease liabilities on adoption of IFRS 16		(1,740,136)	-
		<u>1,740,136</u>	<u>-</u>
		<u>1,740,136</u>	<u>-</u>

The attached notes 1 to 22 form part of these consolidated financial statements.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 1 CORPORATE INFORMATION

The consolidated financial statements of Jassim Transport & Stevedoring Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group"), for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 23 April 2020 and are subject to the approval of the shareholders of the Parent Company in the Annual General Meeting ("AGM"). The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the AGM of the Parent Company's shareholders.

The Parent Company is a closed Kuwaiti shareholding Company registered and incorporated in Kuwait on 25 May 1979. Its registered head office is at Mirqab, Area No 1, Building No 8, Saleh Sulaiman Al Jarah Real Estate Complex, Office 2, 5<sup>th</sup> floor, P.O. Box 22801, Safat 13089, Kuwait. The Parent Company is a subsidiary of Qurain Petrochemical Industries Company K.S.C.P., a Company listed on the Kuwait stock exchange.

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

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

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

The consolidated financial statements for the year ended 31 December 2018 have been approved by the shareholders of the Parent Company on 2 April 2019.

### 2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except leasehold land and financial assets at fair value through other comprehensive income, that has been measured at fair value.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies applied are consistent with those used in the previous year except for the adoption of *IFRS 16: Leases*.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### Adoption of IFRS 16: Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is, as follows:

	<i>KD</i>
<b>ASSETS</b>	
Right-of-use assets	1,740,136
<b>Total assets</b>	<u>1,740,136</u>
<b>LIABILITIES</b>	
Lease liabilities	
Current	546,629
Non-current	1,193,507
<b>Total liabilities</b>	<u>1,740,136</u>

A reconciliation of the operating lease commitments at 31 December 2018, disclosed in the Group's annual consolidated financial statements, to the lease liabilities recognised in the consolidated financial position at 1 January 2019 is as follows:

	<i>KD</i>
Operating lease commitments disclosed as at 31 December 2018	1,673,792
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	185,901
Discounted using the incremental borrowing rate at 1 January 2019	(119,557)
<b>Lease liabilities recognised at 1 January 2019</b>	<u>1,740,136</u>

#### a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under trade receivables and prepayments and trade payables and accruals, respectively.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

### a) Nature of the effect of adoption of IFRS 16 (continued)

The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

#### *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

### b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000 (K D 1,500)). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

**2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)**

**b) Summary of new accounting policies (continued)**

▶ *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

**2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

*Amendments to IFRS 3: Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

*Amendments to IAS 1 and IAS 8: Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

**2.4 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 2.4 BASIS OF CONSOLIDATION (continued)

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

The subsidiaries of the Group are as follows:

Name of the company	Country of incorporation	Interest in equity %		Principal activities
		2019	2018	
JTC Fuel Transport Company W.L.L. ("JTFC")	Kuwait	100%	100%	Carriage of goods
JTC Heavy and Light Equipment and Machinery Leasing Company W.L.L. ("JTCE")	Kuwait	100%	100%	Leasing vehicles and equipment rental
<i>Held through JTFC</i>				
Al Mushtari Public Transport, Equipment Leasing, Marine Services & Warehousing Company W.L.L.	Iraq	100%	100%	Public transport, equipment leasing, marine services and warehousing.
JTC Logistics Company L.L.C. <i>Held through JTCE</i>	Kingdom of Saudi Arabia	100%	100%	Carriage of cargo and passengers, storage services and leasing of heavy and light equipments.
JTC Saudi Equipment Leasing Company L.L.C.	Kingdom of Saudi Arabia	100%	100%	Carriage of cargo and passengers, storage services and leasing of heavy and light equipments.
Road Junction Transport and Equipment Company W.L.L.*	Qatar	100%	100%	Leasing of heavy and light equipment including cranes and forklifts and power generators.

\* The Parent Company has 51% beneficial ownership in Road Junction Transport and Equipment Company W.L.L. as of 31 December 2019 (31 December 2018: 51%). The Group based on advise from its legal counsel has assessed that it effectivley owns 100% of the subsidiary.

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

#### Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)**

**Revenue recognition (continued)**

*Service revenue*

Service revenue primarily comprises of stevedoring, haulage, inventory management, transportation and warehousing services. Service revenue are recognised over a period of time when the services are rendered to the customer.

*Interest income*

Interest income is recognised as interest accrues using the effective interest rate method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

**Kuwait Foundation for the Advancement of Sciences (KFAS)**

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

**Zakat**

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

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases, leases with indefinite life and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land 3 years
- Buildings 3 years

The right-of-use assets are also subject to impairment. Refer to note 8.

*ii) Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in note 8.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)**

**Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Property, plant and equipment**

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

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

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

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

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

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

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

**Inventories**

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

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

**Impairment of non-financial assets**

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



## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

### **Impairment of non-financial assets (continued)**

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

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

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

### **Financial instruments**

#### **Financial assets**

##### *Initial recognition and measurement*

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cashflow characteristics of the financial assets.

##### *Business model assessment*

The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

##### *Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)*

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. 'Interest' is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

***Initial recognition and measurement (continued)***

*Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test) (continued)*

Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cashflows that are solely payment of principal and interest. In such cases, the financial asset is measured at fair value through profit or loss.

The Group has determined the classification and measurement of its financial assets as follows:

*Financial assets at amortised cost*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

*Financial assets at FVOCI*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

*Trade receivables*

Trade receivables are carried at undiscounted original invoiced amount less any expected credit losses.

*Cash and cash equivalents*

Cash and cash equivalents consists of cash and bank balances and fixed deposits and have maturity of 3 months or less. Cash and cash equivalents are carried at amortised cost using effective interest rate.

***Subsequent measurement***

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

*Trade receivables*

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

*Cash and cash equivalents*

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

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

*Subsequent measurement (continued)*

*Financial assets at FVOCI*

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the retained earnings as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

**Derecognition**

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

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

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

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the balances and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 365 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)**

**Financial liabilities**

***Initial recognition and measurement***

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

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

***Subsequent measurement***

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

***Trade payables and accruals***

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

***Derecognition***

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

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

**Fair value measurement**

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

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

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

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

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

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

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

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

### **Offsetting of financial instruments**

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

### **Employees' end of service benefits**

#### *Local*

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

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

#### *International*

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

### **Provisions**

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

### **Contingencies**

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

### **Foreign currencies**

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

#### *Transactions and balances*

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

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

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

#### *Group companies*

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

## 2.6 SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

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

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

### *Allowance for expected credit losses on trade receivables*

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

### *Useful lives, residual values and related depreciation charges of property, plant and equipment*

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

### *Impairment of property, plant and equipment*

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

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

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

### *Determining the lease term of contracts with renewal and termination options – Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

### *Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

### *Revaluation of leasehold land*

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

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**3 REVENUE**

Set out below is the disaggregation of the Group's revenue from contracts with customers based on type of services and equipments:

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Transportation	2,591,314	2,910,906
Stevedoring	9,248,414	8,828,404
Leasing equipment	11,287,766	13,026,122
Warehousing	877,469	909,102
	<u>24,004,963</u>	<u>25,674,534</u>
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	12,640,717	12,828,830
Goods and services transferred over time	11,364,246	12,845,704
<b>Total revenue from contracts with customers</b>	<u>24,004,963</u>	<u>25,674,534</u>

**4 OPERATING EXPENSES**

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Staff costs	5,363,966	5,678,778
Depreciation (Note 7)	3,808,662	3,584,955
Rent expenses	-	664,568
Motor vehicle consumables and maintenance	1,982,273	2,557,848
Subcontract costs	416,012	421,442
Stevedoring incentive and commission	1,279,240	1,036,509
Amortization of right of use asset	605,538	-
Others	1,115,986	958,536
	<u>14,571,677</u>	<u>14,902,636</u>

Operating expenses includes inventories recognised as expenses amounting to KD 2,160,172 (2018: KD 2,281,712). Operating expenses include provisions no longer required written back amounting to KD 140,857 (2018: KD 505,571).

**5 OTHER INCOME**

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Interest income	79,284	77,749
Foreign exchange gain (net)	116,625	64,040
Gain (loss) on disposal of property, plant and equipment	134,410	(3,366)
Others	80,745	117,977
	<u>411,064</u>	<u>256,400</u>

**6 ADMINISTRATIVE EXPENSES**

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Staff costs	1,383,324	1,470,931
Communication, consultancy and repair and maintenance expenses	415,469	250,175
Depreciation (Note 7)	219,730	196,020
Expected credit losses on trade receivables (Note 9)	217,830	199,604
Others	351,183	276,087
	<u>2,587,536</u>	<u>2,392,817</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 7 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles and equipment KD	Leasehold land KD	Leasehold land improvement KD	Prefabricated buildings KD	Furniture And Fixtures KD	Tools and machinery KD	Capital work-in- progress KD	Total KD
Cost or revaluation:								
At 1 January 2019	61,982,738	9,904,150	1,169,905	1,053,149	1,126,849	186,364	385,992	75,809,147
Additions	2,323,201	-	4,285	81,582	48,966	19,964	214,296	2,692,294
Revaluation	-	252,000	-	-	-	-	-	252,000
Disposals	(1,263,989)	-	-	-	-	(30,986)	-	(1,294,975)
Write off	(266,059)	-	-	-	-	-	-	(266,059)
Transfers	251,516	-	-	108,211	7,510	547	(367,784)	-
Foreign currency translation Adjustment	(2,506)	-	-	-	35	(1,155)	-	(3,626)
<b>At 31 December 2019</b>	<b>63,024,901</b>	<b>10,156,150</b>	<b>1,174,190</b>	<b>1,242,942</b>	<b>1,183,360</b>	<b>174,734</b>	<b>232,504</b>	<b>77,188,781</b>
Depreciation:								
At 1 January 2019	34,703,355	-	490,575	954,595	969,606	155,685	-	37,273,816
Charge for the year	3,808,662	-	109,696	40,300	56,647	13,087	-	4,028,392
Disposals	(1,118,818)	-	-	-	-	(27,345)	-	(1,146,163)
Write off	(137,864)	-	-	-	-	-	-	(137,864)
Foreign currency translation Adjustment	(36,815)	-	-	(11)	(28)	(931)	-	(37,785)
<b>At 31 December 2019</b>	<b>37,218,520</b>	<b>-</b>	<b>600,271</b>	<b>994,884</b>	<b>1,026,225</b>	<b>140,496</b>	<b>-</b>	<b>39,980,396</b>
Net book value:								
<b>At 31 December 2019</b>	<b>25,806,381</b>	<b>10,156,150</b>	<b>573,919</b>	<b>248,058</b>	<b>157,135</b>	<b>34,238</b>	<b>232,504</b>	<b>37,208,385</b>

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

During the year, the fair valuation was conducted by two independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of leasehold land being valued. The change in fair value was calculated based on the lower of the two values. Fair value of the leasehold land is arrived at by reference to industry acknowledged methods of valuations that depend on market data including recent sales value of comparable properties. The fair value was determined based on sales comparison method and is measured under the Level 2 fair value hierarchy. The revaluation gain amounting to KD 252,000 was included in other comprehensive income and credited directly to equity as revaluation surplus. The significant assumption used in the determination of fair value was the market price (per sqm). A decrease of 5% in the estimated market price (per sqm) will reduce the value by KD 447,808.



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7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles and equipment KD	Leasehold Land KD	Leasehold land improvement KD	Prefabricated buildings KD	Furniture and fixtures KD	Tools and machinery KD	Capital work-in- progress KD	Total KD
Cost or revaluation:								
At 1 January 2018	57,558,004	9,904,150	1,342,039	1,113,037	1,063,328	184,448	45,293	71,210,299
Additions	5,318,899	-	9,320	-	84,096	1,901	343,146	5,757,362
Disposals	(1,028,272)	-	(166,871)	(55,333)	(19,646)	-	-	(1,270,122)
Transfers	2,447	-	-	-	-	-	(2,447)	-
Foreign currency translation Adjustment	131,660	-	(14,583)	(4,555)	(929)	15	-	111,608
At 31 December 2018	61,982,738	9,904,150	1,169,905	1,053,149	1,126,849	186,364	385,992	75,809,147
Depreciation:								
At 1 January 2018	31,867,443	-	562,541	989,218	941,363	143,838	-	34,504,403
Charge for the year	3,584,955	-	109,488	25,497	49,267	11,768	-	3,780,975
Disposals	(787,004)	-	(166,871)	(55,333)	(19,646)	-	-	(1,028,854)
Foreign currency translation Adjustment	37,961	-	(14,583)	(4,787)	(1,378)	79	-	17,292
At 31 December 2018	34,703,355	-	490,575	954,595	969,606	155,685	-	37,273,816
Net book value:								
At 31 December 2018	27,279,383	9,904,150	679,330	98,554	157,243	30,679	385,992	38,535,331

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**7 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>KD</b>	<b>KD</b>
Operating expenses (Note 4)	<b>3,808,662</b>	3,584,955
Administrative expenses (Note 6)	<b>219,730</b>	196,020
	<b><u>4,028,392</u></b>	<b><u>3,780,975</u></b>

**8 LEASES**

**Group as a lessee**

The Group has lease contracts for various items of property used in its operations. Leases of land and buildings generally have lease term of 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>As at 1 January 2019</b>			
Effect of adopting IFRS 16	191,625	1,548,511	1,740,136
At 1 January 2019 (restated)	191,625	1,548,511	1,740,136
Amortization	(67,087)	(538,451)	(605,538)
Foreign exchange difference	(434)	(303)	(737)
<b>Right-of-use assets as at 31 December 2019</b>	<b><u>124,104</u></b>	<b><u>1,009,757</u></b>	<b><u>1,133,861</u></b>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<b>KD</b>
<b>As at 1 January 2019</b>	
Effect of adopting IFRS 16	1,740,136
At 1 January 2019 (restated)	1,740,136
Interest on lease liabilities	72,105
Payments	(620,549)
Foreign exchange difference	1,815
<b>Lease liabilities as at 31 December 2019</b>	<b><u>1,193,507</u></b>
	<b>2019</b>
	<b>KD</b>
Current	575,143
Non-current	618,364
	<b><u>1,193,507</u></b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**8 LEASES (continued)**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 5%.

The maturity analysis of lease liabilities is disclosed in note 18.

The following are the amounts recognised in consolidated statement of income:

<b>2019 – Leases under IFRS 16</b>	<b>2019 KD</b>
Amortization of right-of-use assets	605,538
Interest expense on lease liabilities	72,105
Foreign exchange difference	2,552
Total amount recognised in consolidated statement of income	<u><u>680,195</u></u>
<b>2018 – Operating leases under IAS 17</b>	<b>2018 KD</b>
Rent expense (included in Operating expenses, Note 4)	627,956
Total amount recognised in consolidated statement of income	<u><u>627,956</u></u>

**9 TRADE RECEIVABLES AND PREPAYMENTS**

	<b>2019 KD</b>	<b>2018 KD</b>
Trade receivables (gross)	5,874,719	5,360,700
Less: Provision for expected credit loss	(1,690,906)	(1,474,984)
Trade receivables (net)	4,183,813	3,885,716
Accrued income	1,711,957	1,424,026
Prepayments and deposits	489,649	851,536
Advance to suppliers	466,171	318,430
Other receivables	265,441	183,852
	<u><u>7,117,031</u></u>	<u><u>6,663,560</u></u>

Movement in the provision for expected credit losses (ECL) on trade receivables were as follows:

	<b>2019 KD</b>	<b>2018 KD</b>
At 1 January	1,474,984	1,554,824
Impact on adoption of IFRS 9 at 1 January	-	173,871
At 1 January ( <i>restated</i> )	1,474,984	1,728,695
Expected credit losses for the year (net of reversal KD 82,858 (2018: KD Nil))	217,830	199,604
Write-off	(1,440)	(454,856)
Foreign exchange difference	(468)	1,541
	<u><u>1,690,906</u></u>	<u><u>1,474,984</u></u>

As at 31 December 2019, remaining trade receivables that are neither past due nor impaired are receivable within less than 30 days. Unimpaired receivables are expected, to be fully recoverable. The Group does not obtain collateral against receivables.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10 CASH AND CASH EQUIVALENTS

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

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Bank balances and cash	1,991,676	1,688,373
Fixed deposits	3,550,000	3,300,000
Cash and cash equivalents as per consolidated statement of financial position	5,541,676	4,988,373
Fixed deposits with original maturities more than three months	(1,000,000)	(2,300,000)
Cash and cash equivalents as per consolidated statement of cash flows	4,541,676	2,688,373

Fixed deposits yield an average effective interest rate (EIR) ranging between 2.5 % to 3.5% (2018: 1.813% to 2.9%) per annum. Fixed deposits, amounting to KD 50,000 (2018: KD 50,000) are held as collateral securities against other credit facilities granted to the Group (Note 16).

### 11 SHARE CAPITAL

The Parent Company's authorised, issued and fully paid capital consists of 150,000,000 (2018: 150,000,000) shares of 100 fils (2018: 100 fils) each, which were fully paid in cash.

### 12 RESERVES, SURPLUS AND DIVIDENDS

#### *a) Statutory reserve*

In accordance with the Companies Law No. 1 of 2016, as amended and its Executive Regulations, as amended, and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS and Zakat is transferred to statutory reserve until the reserve totals 50% of the paid up share capital, after which such transfers can be discontinued by a resolution of the shareholders in the Annual General Assembly meeting upon recommendation by the Board of Directors.

Distribution of the 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, the Group has transferred 10% of the profit for the year before KFAS and Zakat to statutory reserve.

#### *b) Revaluation surplus*

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

#### *c) Fair value reserve*

Fair value reserve represent the accumulated changes in fair values of financial assets at fair value through other comprehensive income.

#### *d) Dividends*

On 2 April 2019, the Annual General Assembly meeting of the Parent Company's shareholders was held and approved the cash dividend of 40 fils per share (2018: 44 fils per share) amounting to KD 6,000,000 (2018: KD 6,600,000) for the year ended 31 December 2018, which was paid following the approval date.

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For the year ended 31 December 2019

**13 EMPLOYEES' END OF SERVICE BENEFITS**

	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
At 1 January	1,585,199	1,441,491
Charge for the year	214,790	299,353
Paid during the year	(259,422)	(155,645)
At 31 December	<u>1,540,567</u>	<u>1,585,199</u>

**14 TRADE PAYABLES AND ACCRUALS**

	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Trade payables	921,575	1,797,723
Accruals and provisions	1,934,998	2,351,151
Advances from customers	157,233	409,011
Other payables	92,896	92,808
	<u>3,106,702</u>	<u>4,650,693</u>

During the year the Group has written back provisions no longer required amounting to KD 140,857 (2018: KD 505,571) (Note 4).

**15 RELATED PARTY TRANSACTIONS**

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

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

	<i>Shareholders</i>	<i>Total</i>	<i>Total</i>
	<i>KD</i>	<i>2019</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>
<b>Consolidated statement of income:</b>			
Revenue – haulage	26,717	26,717	26,165
Reimbursement of expenses	(32,891)	(32,891)	-
Tickets charges	-	-	(14,066)
Other charges	(36,000)	(36,000)	(23,932)
<b>Consolidated statement of financial position:</b>			
Purchase of spares and equipments	(34,629)	(34,629)	(523,445)

**Compensation of key management personnel**

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

	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	316,410	318,308
Employees' end of service benefits	65,450	13,282
	<u>381,860</u>	<u>331,590</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 16 COMMITMENTS AND CONTINGENCIES

The Group has following commitments and contingent liabilities:

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
<b>Commitments</b>		
Letters of credit	<u>5,714,433</u>	<u>3,150,270</u>
<b>Contingencies</b>		
Letters of guarantee	<u>1,340,685</u>	<u>3,024,002</u>

#### Operating lease commitment

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Future minimum lease payments:		
Not later than one year	-	453,050
Later than one year and not later than five years	-	1,220,742
	<u>-</u>	<u>1,673,792</u>

Certain fixed deposits are held as collateral security against letter of guarantee issued (Note 10).

### 17 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the (loss) profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. There is no impact from dilutive instruments outstanding, basic and diluted EPS are identical.

	<i>2019</i>	<i>2018</i>
Profit for the period (KD)	<u>6,951,340</u>	<u>8,411,222</u>
Weighted average number of shares outstanding during the period	<u>150,000,000</u>	<u>150,000,000</u>
<b>Basic and diluted earnings per share (fils)</b>	<u>46</u>	<u>56</u>

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this consolidated financial statement which would require the restatement of EPS.

### 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to credit risk, liquidity risk and exposure to market risk limited to foreign currency risk and equity price risk as the Group does not have floating interest bearing assets and liabilities.

The Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No changes were made in the risk management objectives and policies during the years ended 31 December 2019 and 31 December 2018. The management of the Group reviews and agrees policies for managing each of these risks which are summarised below

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

#### 18.1 Credit risk

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

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

The Group's exposure to credit risk from bank balances, fixed deposits and trade receivables. arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

#### *Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are provided for if past due for more than one year and are not subject to enforcement activity.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements:

	2019 KD	2018 KD
Bank balances and fixed deposits (excluding cash)	5,514,087	4,823,894
Trade receivables (excluding prepayments and advance to suppliers)	6,161,211	5,493,594
	<u>11,675,298</u>	<u>10,317,488</u>

The table below provides information about the credit risk exposure on the Group's trade receivables using a provision matrix:

<i>31 December 2019</i>	<i>Trade receivables</i>		
	<i>Days past due</i>		<i>Total KD</i>
	<i>&lt; 360 days KD</i>	<i>&gt; 360 days KD</i>	
Estimated total gross carrying amount at default	<u>4,658,444</u>	<u>1,216,275</u>	<u>5,874,719</u>
Estimated credit loss	<u>474,631</u>	<u>1,216,275</u>	<u>1,690,906</u>
Expected credit loss rate	<u>10.19%</u>	<u>100.00%</u>	<u>28.78%</u>

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**18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)**

**18.1 Credit risk (continued)**

31 December 2018	Trade receivables		
	Days past due		Total KD
	< 360 days KD	> 360 days KD	
Estimated total gross carrying amount at default	4,254,491	1,106,209	5,360,700
Estimated credit loss	368,775	1,106,209	1,474,984
Expected credit loss rate	8.67%	100%	27.51%

**Risk concentration of maximum exposure to credit risk**

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

Geographic region:	2019 KD	2018 KD
Kuwait	10,450,840	9,485,434
GCC and other countries	1,224,458	832,054
	<u>11,675,298</u>	<u>10,317,488</u>

**18.2 Liquidity risk**

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

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

	Within 3 months KD	3 to 12 months KD	More than 12 months KD	Total KD
<b>2019</b>				
Trade payables and accruals*	921,575	2,027,894	-	2,949,469
Lease liability	144,645	466,101	631,464	1,242,210
	<u>1,066,220</u>	<u>2,493,995</u>	<u>631,464</u>	<u>4,191,679</u>
	Within 3 months KD	3 to 12 months KD	More than 12 months KD	Total KD
<b>2018</b>				
Trade payables and accruals*	1,797,723	2,443,959	-	4,241,682

\* Excluding advances from customers.

**18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)**



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### 18.3 Market risk

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

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

#### 18.3.1 Foreign currency risk

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

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

	<i>Foreign currency denominated balances</i>		<i>Change in currency rate by 5% effect on profit for the year</i>	
	<i>2019 KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
US Dollar	964,249	787,548	± 48,212	±39,377
Qatari Riyal	673,126	453,498	± 33,656	±22,675
Saudi Riyal	128,543	(117,985)	± 6,427	±5,899

#### 18.3.2 Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The effect of equity price risk on other comprehensive income as a result of a change in the fair value of equity instruments at FVOCI, at the reporting date due to an assumed 5% change in market indices with all other variable held constant, is as follows:

	<i>% change in equity price</i>	<i>Effect on other comprehensive income 2019 KD</i>
Price of equity shares	+5%	10,587
Price of equity shares	-5%	(10,587)

## 19 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018. Capital comprises share capital, revaluation surplus, foreign currency translation reserve, fair value reserve and retained earnings and is measured at KD 40,213,527 as at 31 December 2019 (2018: KD 39,649,819).

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### 20 FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

	<i>Level 1</i> <i>KD</i>
<b>31 December 2019</b>	
<i>Financial assets measured at fair value through other comprehensive income</i>	
Quoted equity securities	<u>211,748</u>
	<i>Level 1</i> <i>KD</i>
<b>31 December 2018</b>	
<i>Financial assets measured at fair value through other comprehensive income</i>	
Quoted equity securities	<u>134,158</u>

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The Group has irrevocably designated the quoted equity securities as financial assets measured at fair value through other comprehensive income as these are not held for trading.

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

### 21 SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the board of directors represented by the chief operating decision maker for the purpose of allocating resources and assessing performance. The chief operating decision maker organises the entity based on different geographical areas, inside and outside Kuwait. The following table presents the geographical analysis of the Group's assets, liabilities, revenue, expenses, and profit for the year ended 31 December 2019 and 31 December 2018.

#### Geographical information

In presenting the geographic information, segment revenue, results and assets have been based on the geographic location from which income is derived and segment assets were based on the geographic location of the assets.

	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
<b>Revenue</b>		
Kuwait	22,326,620	24,430,913
Rest of GCC	1,678,343	1,243,621
	<u>24,004,963</u>	<u>25,674,534</u>
<b>Results –profit (loss) for the year</b>		
Kuwait	7,352,227	9,006,446
Rest of GCC	(400,887)	(595,224)
	<u>6,951,340</u>	<u>8,411,222</u>

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**21 SEGMENT INFORMATION (continued)**

**Geographical information (continued)**

	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
<b>Segment assets</b>		
Kuwait	42,415,496	44,208,999
Rest of GCC	9,331,631	6,656,746
	<u>51,747,127</u>	<u>50,865,745</u>
<b>Segment liabilities</b>		
Kuwait	5,216,651	5,412,413
Rest of GCC	624,125	823,479
	<u>5,840,776</u>	<u>6,235,892</u>

**22 SUBSEQUENT EVENT**

As at the authorisation date of these consolidated financial statements, the Group's management is assessing potential impact, if any, due to deterioration in overall economic activities on operations as a result of the outbreak of the coronavirus. Given that result of Group's operations are strongly correlated with overall economic activities, management estimates significant deterioration of economic activities that will have an adverse effect on the consolidated statement of income and consolidated statement of other comprehensive income, impact of which is currently not quantifiable.