

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Consolidated financial statements and independent auditor's report
for the year ended 31 December 2017**

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

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Independent auditor's report

The Shareholders
Shuaiba Industrial Company K.P.S.C.
State of Kuwait

Opinion

We have audited the consolidated financial statements of Shuaiba Industrial Company K.P.S.C. ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



Revenue recognition

See Note 3(l) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Revenues from sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer. The Group has both local and export sales and the risk and rewards transferred to the buyer depends on the shipping and delivery terms, which increases the level of sensitivity to errors.</p> <p>Further, revenue is one of the key performance indicators of the Group, and therefore there is an inherent risk of manipulation of the timing of recognition of revenue through improper cut-off or manual adjustments.</p>	<p>Our audit procedures included, amongst others, assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those policies with IFRS.</p> <p>We tested the design and implementation and on a sample basis, the operating effectiveness of the Group's controls around sales process and the correct timing of the Group's recognition of revenue.</p> <p>We performed cut-off procedures over sales transactions that were taken place before and after the yearend to ensure that revenue was recognised in the correct period, by examining the relevant supporting documents including customer orders, invoices, shipping documents and/or bills of lading and requisite approvals.</p> <p>We inspected whether there are any manual journal entries passed relating to revenue accounts, the underlying documents and rationale for the same.</p> <p>In addition, we confirmed certain customers' receivable balances at the balance sheet date selected on a sample basis by considering the amount, nature and characteristics of those customers.</p>

Other Matter - Scope of the Audit

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion of those consolidated financial statements on 12 February 2017.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, other than the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the Board of Directors report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

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



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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum and Articles of Association, as amended. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended during the year ended 31 December 2017 that might have had a material effect on the business of the Group or on its consolidated financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 12 March 2018

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Consolidated statement of financial position
as at 31 December 2017**

	Note	2017 KD	2016 KD
Assets			
Property, plant and equipment	4	9,928,073	10,319,933
Investment in an associate	5	2,556,991	2,561,086
Total non-current assets		<u>12,485,064</u>	<u>12,881,019</u>
Inventories	6	4,636,060	2,782,405
Trade and other receivables	7	3,634,708	2,601,270
Financial assets at fair value through profit or loss	8	66,118	102,457
Term deposits	9	600,000	1,650,000
Cash and cash equivalents	10	2,776,342	3,736,731
Total current assets		<u>11,713,228</u>	<u>10,872,863</u>
Total assets		<u>24,198,292</u>	<u>23,753,882</u>
Equity and liabilities			
Equity			
Share capital	11	10,069,180	8,055,343
Share premium	11	2,294,444	2,294,444
Statutory reserve	12	2,387,708	2,185,527
Voluntary reserve	12	1,827,831	2,094,519
Treasury shares	13	(164,740)	(164,740)
Treasury shares reserve		471,283	471,283
Foreign currency translation reserve		443,310	566,221
Retained earnings		1,699,081	3,334,954
Total equity		<u>19,028,097</u>	<u>18,837,551</u>
Liabilities			
Employees' end of service benefits	14	749,909	678,162
Non-current portion of term loans	15	1,299,292	1,685,644
Total non-current liabilities		<u>2,049,201</u>	<u>2,363,806</u>
Current portion of term loans	15	386,352	184,000
Trade and other payables	16	2,734,642	2,368,525
Total current liabilities		<u>3,120,994</u>	<u>2,552,525</u>
Total liabilities		<u>5,170,195</u>	<u>4,916,331</u>
Total equity and liabilities		<u>24,198,292</u>	<u>23,753,882</u>

The accompanying notes form an integral part of these consolidated financial statements.



Saleh Omran Abdullah Kannan
Chairman



Bader Mohammad AlQattan
Vice chairman

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Consolidated statement of profit or loss
for the year ended 31 December 2017**

	Note	2017 KD	2016 KD
Sales		15,829,010	14,658,206
Cost of sales		<u>(12,315,835)</u>	<u>(10,829,261)</u>
Gross profit		3,513,175	3,828,945
Other income		165,316	109,789
Foreign exchange (loss) / gain		(11,462)	16,634
Impairment of property, plant and equipment	4	-	(62,945)
Reversal / (charge) of provision for old and obsolete inventories	6	84,753	(92,591)
Reversal / (charge) of provision for doubtful debts	7	9,031	(9,971)
Realised gain on financial assets at fair value through profit or loss		-	24,242
Unrealised (loss) /gain on financial assets at fair value through profit or loss		(36,339)	36,821
General and administrative expenses	17	(820,142)	(898,267)
Selling and distribution expenses	18	<u>(923,335)</u>	<u>(972,154)</u>
Operating profit		<u>1,980,997</u>	<u>1,980,503</u>
Finance costs		(88,739)	(54,457)
Share of results of an associate	5	<u>129,554</u>	<u>72,846</u>
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") , Zakat and Director's remuneration		2,021,812	1,998,892
KFAS		(18,196)	(17,990)
NLST		(52,349)	(52,170)
Zakat		(20,003)	(22,523)
Directors' remuneration		<u>(30,000)</u>	<u>(35,000)</u>
Profit for the year		<u>1,901,264</u>	<u>1,871,209</u>
Basic and diluted earnings per share (fils)	19	<u>19.16</u>	<u>18.86</u>

The accompanying notes form an integral part of these consolidated financial statements.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Consolidated statement of comprehensive income
for year ended 31 December 2017**

	2017	2016
	KD	KD
Profit for the year	<u>1,901,264</u>	<u>1,871,209</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Foreign operations - foreign currency translation differences	<u>(122,911)</u>	<u>73,677</u>
Other comprehensive income for the year	<u>(122,911)</u>	<u>73,677</u>
Total comprehensive income for the year	<u>1,778,353</u>	<u>1,944,886</u>

The accompanying notes form an integral part of these consolidated financial statements.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Consolidated statement of changes in equity
for the year ended 31 December 2017**

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2016	6,444,275	2,294,444	1,985,638	1,894,630	(164,740)	471,283	492,544	4,744,837	18,162,911
Total comprehensive income for the year	-	-	-	-	-	-	-	1,871,209	1,871,209
Profit for the year	-	-	-	-	-	-	73,677	-	73,677
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	73,677	1,871,209	1,944,886
Transactions with the shareholders of the Company									
Issue of bonus shares (Note 11)	1,611,068	-	-	-	-	-	-	(1,611,068)	-
Dividends (Note 24)	-	-	-	-	-	-	-	(1,270,246)	(1,270,246)
Transfer to reserves	-	-	199,889	199,889	-	-	-	(399,778)	-
Balance at 31 December 2016	<u>8,055,343</u>	<u>2,294,444</u>	<u>2,185,527</u>	<u>2,094,519</u>	<u>(164,740)</u>	<u>471,283</u>	<u>566,221</u>	<u>3,334,954</u>	<u>18,837,551</u>
Balance at 1 January 2017	8,055,343	2,294,444	2,185,527	2,094,519	(164,740)	471,283	566,221	3,334,954	18,837,551
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	-	1,901,264	1,901,264
Profit for the year	-	-	-	-	-	-	(122,911)	-	(122,911)
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	(122,911)	1,901,264	1,778,353
Transactions with the shareholders of the Company									
Issue of bonus shares (Note 11)	2,013,837	-	-	(266,688)	-	-	-	(1,747,149)	-
Dividends (Note 24)	-	-	-	-	-	-	-	(1,587,807)	(1,587,807)
Transfer to reserves	-	-	202,181	-	-	-	-	(202,181)	-
Balance at 30 December 2017	<u>10,069,180</u>	<u>2,294,444</u>	<u>2,387,708</u>	<u>1,827,831</u>	<u>(164,740)</u>	<u>471,283</u>	<u>443,310</u>	<u>1,699,081</u>	<u>19,028,097</u>

The accompanying notes form an integral part of these consolidated financial statements.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Consolidated statement of cash flows
for the year ended 31 December 2017**

	Note	2017 KD	2016 KD
Cash flows from operating activities			
Profit for the year		1,901,264	1,871,209
<i>Adjustments for:</i>			
Foreign exchange loss / (gain)		11,462	(16,634)
Depreciation	4	493,911	468,286
Gain on disposal of property, plant and equipment		(2,107)	(199)
Impairment of property, plant and equipment	4	-	62,945
Share of results of an associate	5	(129,554)	(72,846)
(Reversal) / charge of provision for old and obsolete inventories	6	(84,753)	92,591
(Reversal) / charge of provision for doubtful debts	7	(9,031)	9,971
Realised gain on financial assets at fair value through profit or loss		-	(24,242)
Unrealised loss / (gain) on financial asset at fair value through profit or loss		36,339	(36,821)
Provision for employees' end of service benefits	14	85,504	99,476
Finance costs		88,739	54,457
Finance income		(8,335)	(3,610)
Effect of foreign currency translation		(37,661)	18,330
		<u>2,345,778</u>	<u>2,522,913</u>
<i>Changes in</i>			
- Inventories		(1,768,902)	1,819,709
- Trade and other receivables		(1,024,407)	628,514
- Due to a related party		-	(24,927)
- Trade and other payables		411,585	(322,176)
Employees' end of service benefits paid	14	(13,341)	(11,597)
<i>Net cash (used in) / generated from operating activities</i>		<u>(49,287)</u>	<u>4,612,436</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(151,643)	(2,173,652)
Proceeds on sale of property, plant and equipment		2,239	200
Proceeds from sale of financial assets at fair value through profit or loss		-	134,678
Term deposits		1,050,000	(1,550,000)
Finance income		8,335	3,610
Dividend received from an associate	5	97,587	97,080
<i>Net cash generated from / (used in) investing activities</i>		<u>1,006,518</u>	<u>(3,488,084)</u>
Cash flows from financing activities			
Net movement in term loans		(184,000)	1,413,644
Dividend paid		(1,678,928)	(1,317,099)
Finance costs paid		(54,692)	(54,457)
<i>Net cash used in financing activities</i>		<u>(1,917,620)</u>	<u>42,088</u>
Net change in cash and cash equivalents		<u>(960,389)</u>	<u>1,166,440</u>
Cash and cash equivalents at beginning of the year		<u>3,736,731</u>	<u>2,570,291</u>
Cash and cash equivalents at end of the year	10	<u>2,776,342</u>	<u>3,736,731</u>

The accompanying notes form an integral part of this consolidated financial statements.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2017**

1. Reporting entity

Shuaiba Industrial Company K.P.S.C. ("the Company"), is a Public Shareholding Company incorporated in 1978 under the Laws of the State of Kuwait and is listed on the Boursa Kuwait. The Company's commercial registration number is 26799 dated 19 March 2017.

The address of the Company's registered office is P.O. Box, 10088, Shuaiba 65451, State of Kuwait.

The Company's objectives are as follows:

- Manufacture paper cement bags for packing of cement and similar products.
- Import and export material required for the Company's objectives.

The Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may also purchase such entities or affiliate them.

At the Annual General Assembly held on 29 March 2010, the shareholders approved the Group to conduct its activities in accordance with Islamic Sharia Principles.

The consolidated financial statements comprises the Company, its branch established in Free Trade Zone, Dubai, U.A.E. and its subsidiary together referred to as ("the Group").

Name of the subsidiary	Country of incorporation	Percentage of ownership		Principal activity
		2017	2016	
Advance Technologies International Agencies Company W.L.L.	Kuwait	99%	99%	Commercial agencies

The consolidated financial statements were authorized for issue by the Board of Directors on 7 March 2018, and they are subject to approval of Shareholders at the next Annual General Assembly meeting. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation

a) Statement of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, the Company's Memorandum and Articles of Association, as amended, and Ministerial order No.18 of 1990.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost or amortized cost basis, except for financial assets at fair value through profit or loss which are measured at fair value.

c) Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinars (“KD”) which is the functional currency of the Company.

d) Changes in accounting policies

The Group has adopted the following revised and newly issued IFRS effective for annual periods beginning on 1 January 2017:

Disclosure initiatives (Amendments to IAS 7)

The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Annual improvements to IFRS 2014-2016 cycle

The annual improvements to IFRS 2014-2016 cycle including amendments to IFRS, which are summarised below:

IFRS 12: disclosure of interest in other entities

The amendments to IFRS 12 provide additional guidelines to disclose requirements for interest in other entities also apply to interest that are classified as held for sale or distribution.

e) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Groups accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about judgements, assumptions and estimation uncertainties that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes;

- Note 3(d) - impairment of financial and non-financial assets.
- Note 3(e) – useful lives of property, plant and equipment.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group’s management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group’s management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group’s audit committee.

**Notes to the consolidated financial statements
for the year ended 31 December 2017**

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3. Significant accounting policies

Except for changes explained in Note 2(d), the Group has consistently applied the accounting policies set below to all periods presented in these consolidated financial statements.

a) Basis of consolidation

i. *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii. *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

**Shuaiba Industrial Company K.P.S.C. and its subsidiary
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2017**

iii. Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee and unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i. Foreign currency translations

Transactions in foreign currency are translated to Kuwaiti Dinars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rates of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost or amortised cost, are recorded in at the rates of exchange ruling at the date of the transaction.

ii. Foreign operations

The assets and liabilities of foreign operations are translated into KD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into KD at the exchange rates at the dates of the transactions.

**Notes to the consolidated financial statements
for the year ended 31 December 2017**

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non controlling interest. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve.

c) Financial instrument

The Group's classifies non derivative financial assets into the following categories: loans and receivables and "financial assets at fair value through profit or loss" ("FVTPL").

The Group's financial assets include trade and other receivables, financial assets at fair value through profit or loss, term deposits and cash and cash equivalents.

The Group classifies non derivative financial liabilities into other financial liabilities category.

The Group's other financial liabilities include term loans and trade and other payables.

i. *Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date financial liabilities.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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ii. Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified as at FVTPL if it is classified as held for trading or designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

Cash and cash equivalents

Bank accounts, time deposits with maturities that does not exceed a period of three months from placement date, cash balance with portfolio manager and cash on hand, are classified as cash and cash equivalents.

iii. Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective yield method.

iv. Share capital

Ordinary shares

Share capital comprises of ordinary shares and is classified as equity.

Treasury shares

Treasury shares consist of the Company’s own shares that have been issued, subsequently reacquired by the Company and not yet reissued, sold or cancelled. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognised in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders’ equity (treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves.

Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

d) Impairment

i. *Non-derivative financial assets*

Financial assets not classified as FVTPL, including an interest in an equity- accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised costs

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

e) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress is stated at cost less impairment losses, if any, until the construction is complete. Upon the completion of construction, the costs of such asset together with the cost directly attributable to construction are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in consolidated profit or loss.

ii. Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Depreciation, commences when the assets are ready for their intended use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Years
Buildings	5-30
Machinery	5-30
Furniture and fixtures	5
Motor vehicles	5

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Inventories

Finished goods are stated at the lower of cost and net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realisable value is based on the selling price less the estimated cost till completion and sale of inventory.

Spare parts are not intended for resale and are valued at cost after making provision for any old and obsolete items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of purchased cost or net realisable value using the weighted average method after making provision for old and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

g) Employee benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme, is charged to income in the year to which they relate.

h) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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i) Finance costs

Finance costs primarily comprise interest on the Group's financing. Finance costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

j) Dividends

The dividends attributable to shareholders of the Company are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

k) Contingent assets and contingent liabilities

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

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

l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenues from sale of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer. These risks and rewards are transferred to the buyer on delivery.

Profit earned from deposits is recognised on a time proportion basis using the effective yield method.

Gain or loss from sale of investment securities is recognised when the transaction is consummated.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

m) Kuwait Foundation for the Advancement of Sciences ("KFAS")

Contribution towards KFAS is computed at 1% of net profit of the Group after deducting transfers made to statutory reserve.

n) National Labour Support Tax ("NLST")

National Labour Support Tax represents the Company's liability to pay 2.5% of the net profit to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000.

o) Zakat

Zakat is computed at 1% of net profit in accordance with the requirements of Law No. 46 of 2006 and charged to the consolidated statement of profit or loss.

p) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets by applying a capitalisation rate on the expenditure on such assets, until such time as the assets are substantially ready for their intended use. The capitalisation rate used by the Group is the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying assets are recognised in the consolidated statement of profit or loss using the effective interest method in the period in which they are incurred.

q) New standards and interpretations not yet adopted

The following standards and amendments have been issued but are not yet effective and have not been early adopted by the Group.

IFRS 15: Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a single and comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. Under IFRS 15, an entity recognizes when (on as) a performance obligation is satisfied, i.e. when “control” of the goods as services underlying the particular performance obligation is transferred to customers. The Group is currently assessing the impact of above matter under IFRS 15.

The Group has anticipated that IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory. Based on the current accounting treatment of the Group's major sources of revenue (Note 3(1)), the management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group, apart from providing more extensive disclosures on the Group's revenue transactions. However, as the management is still in the process of assessing the full impact of the application of IFRS 15 on the Groups's consolidated financial statements as it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 9: Financial Instruments:

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

The Group will avail of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are required to be recognised in opening retained earnings and reserves as at 1 January 2018.

Group has not performed a detailed impact assessment of IFRS 9 as the Group expects no significant impact on its consolidated statement of financial position and equity resulting from transition to IFRS 9.

Classification and measurement

The Group does not expect a significant impact on its financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value and loans and receivables and other financial liabilities at amortised cost.

Impairment

IFRS 9 requires the Group to record expected credit losses on all its loans and receivables, either on a 12 month or lifetime basis. The Group will apply simplified approach and record lifetime expected losses on all its receivables.

Hedge Accounting

As at 31 December 2017, the Group does not have any hedge relationships. Hence, the hedging requirements of IFRS 9 will not have a significant impact on Group's consolidated financial statements.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 16: Leases

IFRS 16 introduces a single, on balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

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IFRS 16 replaces existing leases guidance including 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 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The management is still in the process of assessing the full impact of the application of IFRS 16 on the Groups' consolidated financial statements as it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

The annual improvement to IFRS 2014-2016 cycle

The following amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

IAS 28: Investments in Associates and Joint Ventures

This provides guidelines in relation to following interpretations;

- A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.
- A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

The annual improvement to IFRS 2015-2017 cycle

The following amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

IFRS 3: Business Combinations and IFRS 11 Joint Arrangements

Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 23: Borrowing Costs

Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

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4. Property, plant and equipment	Leasehold land KD	Buildings KD	Machinery KD	Furniture and fixtures KD	Vehicles KD	Capital work in progress KD	Total KD
Cost							
Balance at 1 January 2016	555,000	3,785,269	7,531,933	798,047	232,350	350	12,902,949
Additions	-	-	-	-	-	2,173,652	2,173,652
Transfers	-	-	697,663	11,253	-	(708,916)	-
Disposals	-	-	-	-	(2,775)	-	(2,775)
Effect of movement in exchange rates	-	12,586	19,069	1,035	270	9,655	42,615
Balance at 31 December 2016	555,000	3,797,855	8,248,665	810,335	229,845	1,474,741	15,116,441
Balance at 1 January 2017	555,000	3,797,855	8,248,665	810,335	229,845	1,474,741	15,116,441
Additions	-	-	-	-	-	151,643	151,643
Disposals	-	-	-	-	(7,930)	-	(7,930)
Transfers	-	45,000	1,549,164	22,577	9,643	-	-
Effect of movement in exchange rates	-	(21,100)	(35,534)	(1,759)	(461)	(1,626,384)	(58,854)
Balance at 31 December 2017	555,000	3,821,755	9,762,295	831,153	231,097	-	15,201,300
Accumulated depreciation and impairment losses							
Balance at 1 January 2016	-	1,142,488	2,250,603	667,922	201,369	-	4,262,382
Depreciation for the year	-	129,659	266,723	57,293	14,611	-	468,286
Disposals	-	-	-	-	(2,774)	-	(2,774)
Impairment	-	-	62,945	-	-	-	62,945
Effect of movement in exchange rates	-	2,046	2,526	830	267	-	5,669
Balance at 31 December 2016	-	1,274,193	2,582,797	726,045	213,473	-	4,796,508
Balance at 1 January 2017	-	1,274,193	2,582,797	726,045	213,473	-	4,796,508
Depreciation for the year	-	130,456	308,581	43,294	11,580	-	493,911
Disposals	-	-	-	-	(7,798)	-	(7,798)
Effect of movement in exchange rates	-	(3,376)	(4,283)	(1,342)	(393)	-	(9,394)
Balance at 31 December 2017	-	1,401,273	2,887,095	767,997	216,862	-	5,273,227
Carrying amount							
At 31 December 2016	555,000	2,523,662	5,665,868	84,290	16,372	1,474,741	10,319,933
At 31 December 2017	555,000	2,420,482	6,875,200	63,156	14,235	-	9,928,073

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Certain property, plant and equipment with carrying value of KD 5,483,937 (2016: KD 5,753,252) have been assigned as security against term loans (note 15). Buildings are constructed on leasehold lands from the government of Kuwait and the government of Dubai for a period of 5 years and 15 years respectively, renewable for similar periods.

Depreciation charges are included in the consolidated statement of profit or loss under the following categories:

	2017 KD	2016 KD
Cost of sales	483,000	446,227
General and administrative expenses (Note 17)	10,184	21,091
Selling and distribution expenses	727	968
	<u>493,911</u>	<u>468,286</u>

5. Investment in an associate

Name of associate	Country of incorporation	Voting rights and equity interest (%)		Activity	Carrying value	
		2017 %	2016 %		2017 KD	2016 KD
Yanbu Saudi Kuwaiti Paper Products Company L.t.d.	Kingdom of Saudi Arabia	40	40	Paper products	<u>2,556,991</u>	<u>2,561,086</u>

Summarised financial information in respect of the Group's associate is set out below:

	2017 KD	2016 KD
Associate's financial position:		
Non-current assets	3,502,220	3,088,558
Current assets	3,693,234	3,929,242
Non-current liabilities	(652,332)	(498,141)
Current liabilities	(150,644)	(116,945)
Net assets (100%)	<u>6,392,478</u>	<u>6,402,714</u>
Group's share of net assets (40%)	2,556,991	2,561,086
Associate's revenue and results:		
Revenue	6,348,391	6,438,296
Profit and total comprehensive income (100%)	323,884	182,115
Group's share of profit and total comprehensive income (40%)	129,554	72,846
Dividend received	97,587	97,080

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6. Inventories

	2017	2016
	KD	KD
Raw materials	3,639,290	2,365,823
Finished goods	195,547	261,503
Packing materials	46,369	31,200
Goods in transit	630,875	106,954
Spare parts	250,456	228,588
	<u>4,762,537</u>	<u>2,994,068</u>
Provision for old and obsolete inventories	(126,477)	(211,663)
	<u>4,636,060</u>	<u>2,782,405</u>

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

	2017	2016
	KD	KD
Balance at 1 January	211,663	118,574
(Reversal) / charge during the year	(84,753)	92,591
Effect of movement in exchange rates	(433)	498
Balance at 31 December	<u>126,477</u>	<u>211,663</u>

In 2017, inventories of KD 10,039,310 (2016: KD 8,736,437) were recognized as an expense and included in 'cost of sales'.

7. Trade and other receivables

	2017	2016
	KD	KD
Trade receivables	3,482,835	2,494,261
Less: provision for doubtful debts	<u>(61,719)</u>	<u>(70,750)</u>
	3,421,116	2,423,511
Prepayments	114,387	101,848
Refundable deposits	69,588	53,333
Staff receivables	20,090	15,107
Others	9,527	7,471
	<u>3,634,708</u>	<u>2,601,270</u>

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

	2017	2016
	KD	KD
Balance at 1 January	70,750	60,779
(Reversal) / charge for the year	<u>(9,031)</u>	<u>9,971</u>
Balance at 31 December	<u>61,719</u>	<u>70,750</u>

Trade receivables are non-profit bearing and generally due within 90 days. Unimpaired receivable are expected to be fully recoverable as per the past experience and the historical data. It is not the practice of the Group to obtain collateral over receivables. The ageing analysis of the gross trade receivables at the reporting date is as follows:

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	2017		2016	
	Gross KD	Provision KD	Gross KD	Provision KD
Neither past due nor impaired	3,239,700	-	2,362,243	-
Past due 91 - 180 days	111,810	-	61,268	-
Past due more than 180 -365 days	69,606	-	-	-
Past due and impaired	61,719	61,719	70,750	70,750
	<u>3,482,835</u>	<u>61,719</u>	<u>2,494,261</u>	<u>70,750</u>

In determining the recoverability of a trade receivable, the management considers any change in the credit quality of customers from the date that the credit was initially granted up to the financial position date. The concentration of credit risk is limited due to that, the large number of customers. Accordingly, the management believes that there is no further provision required.

8. Financial assets at fair value through profit or loss

	2017 KD	2016 KD
Local quoted securities	<u>66,118</u>	<u>102,457</u>

Financial assets at fair value through profit or loss are managed by a portfolio manager, under a portfolio management agreement.

Valuation techniques of financial assets at fair value through profit or loss are disclosed in (note 22).

9. Term deposits

Term deposits represent Wakala deposits placed at local bank denominated in Kuwaiti Dinars having an original maturities of three months or more from the date of placement and yield an average profit rate of 1.69% (2016: 1% to 1.125%) per annum.

10. Cash and cash equivalents

	2017 KD	2016 KD
Short term deposit	550,000	-
Bank balances	2,221,620	3,730,803
Cash on hand and with portfolio manager	4,722	5,928
	<u>2,776,342</u>	<u>3,736,731</u>

Short term deposits represent Wakala deposit placed at local bank and denominated in Kuwaiti Dinars having an original maturity of less than three months from the date of placement and yield an average profit rate of 1.88% (2016: Nil%) per annum.

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11. Share capital

The authorized, issued and paid up share capital is KD 10,069,180 (2016: KD 8,055,343) comprising of 100,691,795 shares of 100 fils each (2016: 80,553,436 shares of 100 fils each) and all shares are paid in cash.

The Ministry of Commerce and Industry as per their letter dated 17 April 2017, approved the increase in Company's share capital from KD 8,055,343 to KD 10,069,180, by KD 2,013,837 on account of the issuance of bonus shares amounting to 20,138,370 shares as recommended by the Board of Directors and approved by the shareholders at the annual general assembly meeting held on 4 April 2017. (2016: Increase in share capital from KD 6,444,275 to KD 8,055,343, by KD 1,611,068 on account of the issuance of bonus shares amounting to 16,110,686 shares) (Note 24).

The Company has utilized the retained earnings and voluntary reserve by KD 1,747,149 and KD 266,688 respectively for the increase in share capital through bonus issue as per the provisions of Article 159 of the Companies Law No. 1 of 2016, as amended.

Share premium

Share premium is not available for distribution.

12. Reserves

Statutory reserve

In accordance with the Companies Law No.1 of 2016, as amended and the Company's Articles of Association, 10% of the profit for the year before contribution to KFAS, Zakat and Directors' remuneration has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. 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.

Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year before contributions to KFAS, Zakat and Directors' remuneration has to be transferred to voluntary reserve. There are no restrictions on the distribution of the voluntary reserve.

The Board of Directors in their meeting dated 12 February 2017 approved to discontinue the transfer of profits to voluntary reserve.

13. Treasury shares

	2017	2016
Number of shares	1,454,028	1,163,077
Percentage to issued shares (%)	1.44%	1.44%
Market value (KD)	350,421	343,108
Cost (KD)	164,740	164,740

The Company is committed to retain reserves, share premium and retained earnings equivalent to the cost of treasury shares throughout the year, in which they are held by the Company, pursuant to instructions of the relevant regulatory authorities.

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14. Employees' end of service benefits

	2017 KD	2016 KD
Balance at 1 January	678,162	589,997
Provision for the year	85,504	99,476
Payments during the year	(13,341)	(11,597)
Effect of movement in exchange rates	(416)	286
Balance at 31 December	<u>749,909</u>	<u>678,162</u>

15. Term loans

	2017 KD	2016 KD
Non-current portion	1,299,292	1,685,644
Current portion	<u>386,352</u>	<u>184,000</u>
	<u>1,685,644</u>	<u>1,869,644</u>

Term loans represent credit refinance facilities ("the facilities") obtained from a local bank ("the bank"). The facilities are used to finance purchases of equipment and machinery to expand the Group's plant. The facilities carry a profit rate of 3.5% per annum (2016: 3.5% per annum) and repayable as shown below.

2017 Facility	Facility amount KD	Payable amount KD	Current portion KD	Non- current portion KD	Maturity date
Term loan 2	220,000	88,000	44,000	44,000	December 2019
Term loan 3	2,800,000	1,597,644	342,352	1,255,292	November 2022
		<u>1,685,644</u>	<u>386,352</u>	<u>1,299,292</u>	

2016 Facility	Facility amount KD	Payable amount KD	Current portion KD	Non- current portion KD	Maturity date
Term loan 1	700,000	140,000	140,000	-	October 2017
Term loan 2	220,000	132,000	44,000	88,000	December 2019
Term loan 3	2,800,000	1,597,644	-	1,597,644	November 2022
		<u>1,869,644</u>	<u>184,000</u>	<u>1,685,644</u>	

The facilities are secured by certain property, plant and equipment (note 4) in favour of the bank. It also requires, among other things, certain restrictions on the payment of dividends and a requirement to maintain a minimum leverage ratio (current assets to current liabilities) of 1.5:1.

During the year, Term loan 1, was fully repaid.

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16. Trade and other payables

	2017	2016
	KD	KD
Trade payables	2,104,760	1,499,046
Dividends payable	131,429	222,550
Staff payable	295,066	341,003
Accrued expenses	66,601	136,748
Accrued profit	8,034	9,146
Advances from customers	8,204	30,002
KFAS	18,196	17,990
NLST	52,349	52,170
Zakat	20,003	24,870
Directors' remuneration	30,000	35,000
	<u>2,734,642</u>	<u>2,368,525</u>

17. General and administrative expenses

	2017	2016
	KD	KD
Staff costs	590,235	682,678
Depreciation (Note 4)	10,184	21,091
Rent	31,600	26,313
Communication expenses	29,716	29,657
Professional fees	47,160	38,003
Travel expenses	38,072	39,233
Stationery expenses	27,756	21,863
Others	45,419	39,429
	<u>820,142</u>	<u>898,267</u>

18. Selling and distribution expenses

	2017	2016
	KD	KD
Transportation expenses	395,081	500,862
Staff costs	156,892	163,753
Packing expenses	262,672	232,067
Others	108,690	75,472
	<u>923,335</u>	<u>972,154</u>

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19. Basic and diluted earnings per share

Earnings per share is computed by dividing the profit for the year by the weighted average number of shares outstanding during the year, excluding treasury shares.

	2017 KD	2016 KD
Profit for the year (KD)	<u>1,901,264</u>	<u>1,871,209</u>
<i>Weighted average number of shares outstanding:</i>		
Number of issued shares	100,691,795	100,691,795
Less: Weighted average number of treasury shares	<u>(1,454,028)</u>	<u>(1,454,028)</u>
Weighted average number of shares outstanding	<u>99,237,767</u>	<u>99,237,767</u>
Basic and diluted earnings per share (fils)	<u>19.16</u>	<u>18.86</u>

The basic and diluted earnings per share for the comparative year presented has been restated to reflect the effect of bonus shares issued on 4 April 2017 (Note 11).

20. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Significant related party transactions and balances are as follows:

	2017 KD	2016 KD
Balances		
Directors' remuneration payable (Note 16)	30,000	35,000
Transactions		
<i>Compensation to key management personnel</i>		
Salaries and short-term benefits	269,705	263,246
Post employment benefits	22,528	22,528
Directors' remuneration	30,000	35,000

Amounts due to related parties are payable on demand and are non-profit bearing.

21. Segment information

The Group identifies its operating segments based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Company's Chief Executive Officer is the Group's chief operating decision maker and has grouped the Group's products into the following operating segments.

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- *Industrial Packaging Division:* Produces and supplies multi-wall paper sacks for industrial use.
- *Consumer Packaging Division:* Produces and supplies various types of superior value and high quality bags and wrapping sheets to major regional and international chains.
- *Flexible Packaging Division:* Produces and supplies multi-ply printed and laminated films, including aluminum foil lamination.
- *Trading Division:* Importing and trading in various types of paper related products such as photo copier paper, offset paper, NCR, coated paper and ink.

The following is an analysis of the Group's sales and results by operating segments for the year:

	<u>Sales</u>		<u>Segment results</u>	
	2017 KD	2016 KD	2017 KD	2016 KD
Industrial Packaging Division	10,067,090	9,485,118	1,836,544	2,313,649
Consumer Packaging Division	4,485,238	4,039,903	1,393,776	1,295,513
Flexible Packaging Division	1,261,140	1,106,145	289,950	218,432
Trading Division	15,542	27,040	(7,095)	1,351
	<u>15,829,010</u>	<u>14,658,206</u>	<u>3,513,175</u>	<u>3,828,945</u>
Other income			165,316	109,789
Foreign exchange (loss) / gain			(11,462)	16,634
Impairment of property, plant and equipment			-	(62,945)
Share of results of an associate			129,554	72,846
Reversal/ (charge) of provision for old and obsolete inventories			84,753	(92,591)
Reversal/ (charge) of provision for doubtful debts			9,031	(9,971)
Realised gain on financial assets at fair value through profit or loss			-	24,242
Unrealised (loss) /gain on financial assets at fair value through profit or loss			(36,339)	36,821
General and administrative expenses			(820,142)	(898,267)
Selling and distribution expenses			(923,335)	(972,154)
Finance costs			(88,739)	(54,457)
KFAS			(18,196)	(17,990)
NLST			(52,349)	(52,170)
Zakat			(20,003)	(22,523)
Directors' remuneration			(30,000)	(35,000)
Profit for the year			<u>1,901,264</u>	<u>1,871,209</u>

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Geographic information

The following analysis of the Group's sales is based on the geographic location of customers:

	Sales		Segment results	
	2017 KD	2016 KD	2017 KD	2016 KD
Kuwait	5,268,362	5,170,675	1,593,348	1,646,802
GCC	7,189,695	7,505,598	1,366,278	1,726,748
Asia	2,792,605	1,329,958	400,035	306,915
USA	9,388	-	2,178	-
Africa	568,960	651,975	151,336	148,480
	<u>15,829,010</u>	<u>14,658,206</u>	<u>3,513,175</u>	<u>3,828,945</u>

The following analysis of the Group's assets and liabilities is based on the geographic location of the assets and liabilities:

	Assets		Liabilities	
	2017 KD	2016 KD	2017 KD	2016 KD
Kuwait	16,219,394	16,362,265	3,991,565	4,396,949
GCC	7,978,898	7,391,617	1,178,630	519,382
	<u>24,198,292</u>	<u>23,753,882</u>	<u>5,170,195</u>	<u>4,916,331</u>

22. Financial instruments – Fair values and risk management

i. Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets measured at fair value					
31 December 2017					
Local quoted securities	8	<u>66,118</u>	<u>-</u>	<u>-</u>	<u>66,118</u>
31 December 2016					
Local quoted securities	8	<u>102,457</u>	<u>-</u>	<u>-</u>	<u>102,457</u>

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ii. Measurement of fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

During the year, there were no transfers between Level 1, Level 2 and Level 3.

All other financial assets and financial liabilities carried at amortised cost approximate their fair values at the financial position date.

iii. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and activities for measuring and managing risk, and the management of capital.

The Company's Board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade and other receivables, term deposits, short term deposit, bank balances and cash with portfolio manager.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

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	2017 KD	2016 KD
Trade receivables	3,421,116	2,423,511
Other receivables (excluding prepayments)	99,205	75,911
Term deposits	600,000	1,650,000
Short term deposits	550,000	-
Bank balances and cash with portfolio manager	2,222,804	3,733,077
	<u>6,893,125</u>	<u>7,882,499</u>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

At the financial position date, 48% of the net trade receivables are due from 10 customers (2016: 44.7% of the net trade receivables were due from 10 customers).

The bank balances, cash with portfolio manager, term deposits and short term deposit are maintained only with reputable financial institutions and banks with high credit ratings.

At the reporting date 88 % (2016: 84%) of the geographic concentration credit risk exposure relates to the GCC region.

The concentration by the industry sector is as follows:

	2017 KD	2016 KD
Manufacturing	3,520,321	2,499,422
Banks and financial institutions	3,372,804	5,383,077
	<u>6,893,125</u>	<u>7,882,499</u>

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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All the financial liabilities of the Group mature within a year except for term loans. The following table represents the contractual maturities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

	Carrying value KD	Contract -ual cash flows KD	3 months or less KD	3-12 months KD	1-2 years KD	2-5 years KD
31 December 2017						
Term loan	1,685,644	1,838,484	-	443,681	429,110	965,693
Trade and other payables (excluding advances)	<u>2,726,428</u>	<u>2,726,428</u>	<u>2,288,717</u>	<u>437,711</u>	<u>-</u>	<u>-</u>
	<u>4,412,072</u>	<u>4,564,912</u>	<u>2,288,717</u>	<u>881,392</u>	<u>429,110</u>	<u>965,693</u>
31 December 2016						
Term loans	1,869,644	1,906,102	-	184,000	644,000	1,078,102
Trade and other payables (excluding advances)	<u>2,338,523</u>	<u>2,338,523</u>	<u>1,499,185</u>	<u>839,338</u>	<u>-</u>	<u>-</u>
	<u>4,208,167</u>	<u>4,244,625</u>	<u>1,499,185</u>	<u>1,023,338</u>	<u>644,000</u>	<u>1,078,102</u>

At reporting date, the Group does not hold any derivative financial liability.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group does not use derivative financial instruments based on future speculations.

Currency risk

Currency risk is the risk that the fair value or future cash flows of Group's financial assets will fluctuate because of changes in foreign exchanges rates.

The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains / losses on translation of foreign currency denominated assets and liabilities such as cash and bank balances trade and other receivables and trade and other payables.

The Group manages this risk by setting limits on exposures to currency and monitoring the changes in foreign currency exchange rates on regular basis.

The Group's exposure to foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

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	Long/ (short position) 2017 KD	Long/ (short position) 2016 KD
United States Dollar	226,488	1,044,600
Saudi Riyal	59,507	67,810
United Arab Emirate Dirhams	1,254,915	711,381
Omani Riyal	28,333	63,161
Euro	(138,745)	(72,880)
	<u>1,430,498</u>	<u>1,814,072</u>

Sensitivity analysis

A 5 percent strengthening of the KD against the following currencies as at 31 December would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Equity KD	Profit or loss KD
31 December 2017		
United States Dollar	(11,324)	(11,324)
Saudi Riyal	(2,975)	(2,975)
United Arab Emirate Dirhams	(62,746)	(62,746)
Omani Riyal	(1,417)	(1,417)
Euro	6,937	6,937
31 December 2016		
United States Dollar	(52,230)	(52,230)
Saudi Riyal	(3,391)	(3,391)
United Arab Emirate Dirhams	(35,569)	(35,569)
Omani Riyal	(3,158)	(3,158)
Euro	3,644	3,644

A 5 percent weakening at the KD against the above currencies at 31 December would have had equal but opposite effect on the above amounts shown above, on the basis that all other variables remain constant.

Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market profit rates. At present, the Group is not exposed to a significant risk, since the term deposits and term loans carries a fixed profit rate. The Group has no other profit bearing financial assets or financial liabilities at the reporting date.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

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The equity price risk exposure arises from the Group's investment in quoted equity securities classified as "financial assets at fair value through profit or loss". To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in quoted equity indices by 5% as a result of change in the fair value of these equity instruments, to which the Group had exposure as of the reporting date:

	Effect on profit	
	2017	2016
	KD	KD
Market indices		
Boursa Kuwait	3,306	5,123

The effect of decreases in equity prices is expected to be equal and opposite to the effect of increases shown. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

Capital risk management

The Group's objective when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

The Group monitors capital on the basis of gearing ratio, which is calculated by net debt value divided by total invested capital. Net debt is calculated as the total debt less cash and cash equivalents, and the total capital invested is calculated as the total equity and net debt.

	2017	2016
	KD	KD
Term loans	1,685,644	1,869,644
Less: cash and cash equivalents	(2,776,342)	(3,736,731)
Net debt	(1,090,698)	(1,867,087)
Equity	19,028,097	18,837,551
Capital invested	17,937,399	16,970,464
Gearing ratio	0%	0%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the term loans that define capital structure requirements. Breaches in meeting the financial covenants would permit lending banks and providers of the debt to immediately call loans and borrowings due from the Group. There have been no breaches in the financial covenants of any profit bearing loans and borrowings in the current financial year. No changes were made in the objectives, policies and processes for managing capital during the year ended 31 December 2017.

The Group's policy is to keep the gearing ratio around the optimal debt ratio which is estimated based on cost of capital rate. The optimal debt ratio represents the ratio of debt on which the Group maximises the Company's value to its shareholders and simultaneously keeping the cost of capital at the lowest level.

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23. Contingent liabilities and commitments

	2017 KD	2016 KD
Capital commitments		
For the purchase of property, plant and equipment	<u>1,202,356</u>	<u>-</u>
Contingent liabilities		
Letters of credit	339,382	106,111
Letters of guarantee	<u>80,340</u>	<u>190,703</u>
	<u>419,722</u>	<u>296,814</u>

Operating lease commitments

The Group has entered in to an operating lease agreements on lands obtained from the government of Kuwait and the government of Dubai (Note 4). The operating lease agreement has five years life. There are no restrictions placed upon the Group by entering in to these leases.

Future minimum rental payable under non-cancellable operating lease as reporting date are as follows:

	2017 KD	2016 KD
Not later than one year	74,377	69,667
Later than one year but not later than five years	<u>134,015</u>	<u>233,668</u>
	<u>208,392</u>	<u>303,335</u>

24. Annual General Assembly

The Annual General Assembly meetings of shareholders held on 4 April 2017, approved the annual audited consolidated financial statements of the Group for the year ended 31 December 2016 and approved the payment of cash dividend of 20% equivalents to 20 fils per share on outstanding shares excluding treasury shares (2015: 20% equivalent to 20 fils per share) and bonus share of 25% equivalent to 25 shares for each 100 shares to the shareholders of the Company's record as of the date of the Annual General Assembly Meeting.

The Board of Directors in their meeting held on 7 March 2018 proposed a cash dividend of 17% equivalent to 17 fils per share (2016: 20% equivalents to 20 fils per share) for the year ended 31 December 2017.

The Directors' remuneration of KD 30,000 (2016: KD 35,000) has been proposed in accordance with the Companies Law No.1 of 2016, as amended and its Executive Regulation and is subject to approval of the forthcoming shareholders Annual General Assembly.