**BAWABAT AL-KUWAIT HOLDING COMPANY K.S.C. (CLOSED)
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAWABAT AL-KUWAIT HOLDING COMPANY K.S.C. (CLOSED)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Bawabat Al-Kuwait Holding 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 2018, 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 2018, and its consolidated financial performance and 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 Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 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 consolidated financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAWABAT AL-KUWAIT HOLDING COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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 judgement 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.

- Obtain sufficient appropriate audit evidence regarding the consolidated 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAWABAT AL-KUWAIT HOLDING COMPANY K.S.C. (CLOSED) (continued)

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 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

11 April 2019
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	2018 KD	(Restated) * 2017 KD
INCOME			
Trading income	3	15,052,261	10,283,836
Net investment income	4	2,933,135	2,797,923
Other income		1,117,483	1,539,104
Foreign exchange loss		(78,736)	(178,091)
TOTAL INCOME		19,024,143	14,442,772
EXPENSES			
Distribution costs		(118,886)	(131,576)
Administrative expenses		(3,912,399)	(4,102,940)
Finance costs		(446,489)	(397,561)
Expected credit loss/ Allowance of impairment of other receivables		-	(151,125)
TOTAL EXPENSES		(4,477,774)	(4,783,202)
PROFIT FOR THE YEAR BEFORE INCOME TAX, CONTRIBUTION TO KUWAIT FOUNDATION OF ADVANCEMENT OF SCIENCE, ZAKAT AND BOARD OF DIRECTORS' REMUNERATION		14,546,369	9,659,570
Income tax expense	5	(3,197,986)	(1,379,719)
KFAS		(61,037)	(47,019)
Zakat		(65,768)	(50,743)
Directors' remuneration	22	(22,000)	(60,000)
PROFIT FOR THE YEAR		11,199,578	8,122,089
Attributable to:			
Equity holders of the Parent Company		6,633,110	4,476,367
Non-controlling interests		4,566,468	3,645,722
		11,199,578	8,122,089

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and reflect adjustments made as detailed in Note 23.*

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 KD	(Restated) * 2017 KD
Profit for the year		**11,199,578**	8,122,089
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to the consolidated statement of income:			
Changes in the fair value of equity investments at FVOCI	8	1,144,180	(6,245,620)
Items that are or may be reclassified subsequently to the consolidated statement of income:			
Exchange differences on translation of foreign operations		71,676	(1,413,366)
		71,676	(1,413,366)
Other comprehensive income (loss) for the year		1,215,856	(7,658,986)
Total comprehensive income for the year		12,415,434	463,103
Attributable to:			
Equity holders of the Parent Company		7,848,966	(2,615,068)
Non-controlling interests		4,566,468	3,078,171
		12,415,434	463,103

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and reflect adjustments made as detailed in Note 23.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 KD	(Restated) * 2017 KD
ASSETS			
Non-current assets			
Property, plant and equipment	6	**47,852,677**	51,531,701
Intangible assets	7	**10,480,822**	12,426,744
Investment in an associate		**64,686**	64,399
Equity investments at FVOCI	8	**6,974,527**	5,840,991
		65,372,712	69,863,835
Current assets			
Inventories	9	**7,609,030**	7,375,126
Financial assets carried at fair value through profit or loss	10	**56,464**	15,117,271
Accounts receivable and prepayments	11	**7,402,632**	2,516,352
Cash and cash equivalents	12	**48,107,375**	43,476,765
		63,175,501	68,485,514
TOTAL ASSETS		**128,548,213**	138,349,349
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**50,000,000**	50,000,000
Statutory reserve	14	**15,602,956**	14,924,764
Fair value reserve		**(4,648,745)**	(5,792,925)
Foreign currency translation reserve		**2,235,044**	2,163,368
Other reserve		**(5,423,038)**	(5,423,038)
Retained earnings		**18,431,351**	14,976,433
Equity attributable to equity holders of the Parent Company		**76,197,568**	70,848,602
Non-controlling interests		**29,574,713**	40,472,257
Total equity		**105,772,281**	111,320,859
Liabilities			
Non-current liabilities			
Deferred tax	5	**5,960,348**	6,735,390
Term loans	15	**-**	1,653,811
		5,960,348	8,389,201
Current liabilities			
Term loans	15	**1,661,198**	2,835,105
Accounts payable and accruals	16	**15,154,386**	15,804,184
		16,815,584	18,639,289
Total liabilities		**22,775,932**	27,028,490
TOTAL EQUITY AND LIABILITIES		**128,548,213**	138,349,349

Bader Mohammad Aljeaan
Chairman

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and reflect adjustments made as detailed in Note 23.*

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company								
	Share capital KD	*Statutory reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Other reserve KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2018	50,000,000	14,924,764	(5,792,925)	2,163,368	(5,423,038)	14,976,433	70,848,602	40,472,257	111,320,859
Profit for the year	-	-	-	-	-	6,633,110	6,633,110	4,566,468	11,199,578
Other comprehensive loss for the year	-	-	1,144,180	71,676	-	-	1,215,856	-	1,215,856
Total comprehensive income for the year	-	-	1,144,180	71,676	-	6,633,110	7,848,966	4,566,468	12,415,434
Transfer to statutory reserve	-	678,192	-	-	-	(678,192)	-	-	-
Dividend paid (Note 22)	-	-	-	-	-	(2,500,000)	(2,500,000)	(3,377,898)	(5,877,898)
Movement in NCI	-	-	-	-	-	-	-	(12,086,114)	(12,086,114)
As at 31 December 2018	**50,000,000**	**15,602,956**	**(4,648,745)**	**2,235,044**	**(5,423,038)**	**18,431,351**	**76,197,568**	**29,574,713**	**105,772,281**
As at 1 January 2017	50,000,000	14,402,329	452,695	3,009,183	(5,423,038)	16,022,501	78,463,670	38,284,723	116,748,393
Profit for the year	-	-	-	-	-	4,476,367	4,476,367	3,645,722	8,122,089
Other comprehensive loss for the year	-	-	(6,245,620)	(845,815)	-	-	(7,091,435)	(567,551)	(7,658,986)
Total comprehensive (loss) income for the year	-	-	(6,245,620)	(845,815)	-	4,476,367	(2,615,068)	3,078,171	463,103
Transfer to statutory reserve	-	522,435	-	-	-	(522,435)	-	-	-
Dividend paid (Note 22)	-	-	-	-	-	(5,000,000)	(5,000,000)	(890,637)	(5,890,637)
As at 31 December 2017 *(Restated)* *	50,000,000	14,924,764	(5,792,925)	2,163,368	(5,423,038)	14,976,433	70,848,602	40,472,257	111,320,859

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and reflect adjustments made as detailed in Note 23.*

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	*2018* *KD*	*2017* *KD*
OPERATING ACTIVITIES			
Profit for the year before income tax, contribution to KFAS, Zakat and Directors' remuneration		14,546,369	9,659,570
Adjustments to reconcile profit for the year to net cash flows:			
Net investment income	4	(2,933,135)	(2,797,923)
Depreciation	6	5,533,961	5,574,848
Amortisation of intangible assets	7	2,001,426	1,992,527
Expected credit loss/ allowance for impairment of other receivables		-	151,125
Income tax expense		3,197,986	1,379,719
Finance costs		446,489	397,561
		22,793,096	16,357,427
Working capital changes:			
Inventories		(233,904)	35,964
Financial assets carried at fair value through profit or loss	10	15,060,807	(15,078,763)
Accounts receivable and prepayments		(4,886,280)	931,055
Accounts payables and accruals		(649,798)	1,946,476
		32,083,921	4,192,159
Income tax paid		(3,197,986)	(1,372,209)
Net cash flows from operating activities		28,885,935	2,819,950
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(829,571)	(236,019)
Proceeds from sale of financial assets at fair value through other comprehensive income		10,644	-
Fixed deposits placed		-	16,462,094
Dividend income received	4	205,075	179,062
Interest income received	4	2,712,362	2,609,905
Net cash flows from investing activities		2,098,510	19,015,042
FINANCING ACTIVITIES			
Net movement in term loans		(2,827,718)	(2,898,968)
Finance cost paid		(446,489)	(397,561)
Dividend paid	22	(2,500,000)	(5,000,000)
Dividend paid to non-controlling interests		(3,377,898)	(890,637)
Net cash flows used in financing activities		(9,152,105)	(9,187,166)
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,832,340	12,647,826
Effect of foreign currency translation		(17,201,730)	(435,272)
Cash and cash equivalents at the beginning of the year	12	43,476,765	31,264,211
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	48,107,375	43,476,765

The attached notes 1 to 23 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Bawabat Al-Kuwait Holding Company K.S.C. (the "Parent Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 were approved for issue by Board of Directors on 11 April 2019, and are subject to the approval of the shareholders of the Parent Company in the Annual General Assembly ("AGM"). The shareholders have the power to amend the consolidated financial statements after issuance.

The consolidated financial statements for the Parent Company's shareholders approved the year ended 31 December 2017 during the Annual General Meeting held 8 May 2018.

The Parent Company is a Kuwaiti Shareholding Company registered and incorporated in Kuwait on 27 April 2004.

The Parent Company's principal activities are:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these Companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns shares, guaranteeing them with third parties where the holding Company owns 20% or more of the capital of the borrowing company.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing surplus funds available with the parent company by investing them in investment and real estate portfolios managed by specialised companies.

The Parent Company's registered head office is at Khaleejia Building, Al Mutanabi Street, Kuwait. The Parent Company is a subsidiary of Egypt Kuwait Holding Company K.S.C. (Holdings) (the "Ultimate Parent Company").

The principal activity of the major indirect subsidiary company (Alexandria Fertilizers Company-Abu-Qir S.A.E) is to produce chemical fertilisers and its other derivatives. The indirect subsidiary company produces ammonia as an intermediate product and urea as final product.

2.1 BASIS OF PREPARATION

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

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets carried at fair value through profit or loss and equity investments at FVOCI.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), being the functional currency of the Parent Company.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2018.

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; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated statement of comprehensive 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 ("OCI") are attributed to the equity holders of the parent 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 assets (including goodwill), liabilities, non-controlling interests, and other components of equity while any resultant gain or loss is recognized in the consolidated statement of income. Consideration received and any investment retained are recognized in the consolidated statement of financial position at fair value. It also reclassifies any share of components previously recognised in OCI to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries of the Group are as follows:

Name of the Subsidiary	*Country of incorporation*	*Principal activity*	*Effective equity interest 31December*	
			2018	*2017*
Direct subsidiary				
International Logistics Holding Company K.S.C.	Kuwait	Logistics support services	99%	99%
Indirect subsidiary				
Alexandria Fertilizers Company-Abu-Qir S.A.E.	Egypt	Manufacturing	59.82%	59.82%

2.3 CHANGE IN ACCOUNTING POLICIES

New and amended standards and interpretations
The accounting policies applied are consistent with those used in the previous year except for the adoption of IFRS 15: Revenue from Contracts with Customers, the Group has early adopted IFRS 9 during the year ended 31 December 2017.

Adoption of IFRS 15 'Revenue from Contracts with customers'
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several standards and interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group's adoption of IFRS 15 had no material impact on these consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, consolidated financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations 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 these standards, if applicable, when they become effective.

IFRS 16: Leases
In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the financing expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17.

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Transition to IFRS 16

The Group plans to adopt IFRS 16 using the modified retrospective method. Applying this method, the comparative information will not be restated. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During the year, the Group has performed a detailed impact assessment of IFRS 16. The management does not expect any significant impact on the consolidated financial statements.

In 2019, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue is recognised to the extent that future economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable taking into account contractual defined terms of payment and excluding discounts and rebates. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of Urea, transfer usually occurs upon loading the goods onto the relevant carrier.

Dividend income
Dividend income is recognised when the right to receive the payment is established which is generally when partners approve the dividend

Interest income and expense
Interest income and expense are recognised in the consolidated income statement for all interest bearing instruments on EIR basis. The calculation includes all contractual terms of the financial instrument and includes any fee or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Other income
Other income is recognized on accrual basis, unless collectability is in doubt.

Borrowing costs
Interests on borrowings are calculated on the accrual basis and are recognized in the consolidated statement of income in the year in which they are incurred.

Taxes
Current income tax
Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable consolidated statement of income.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax (continued)

- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable consolidated statement of income.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in consolidated statement of income.

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 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.

Property, plant and equipment
Property, plant and equipment are initially recorded at cost. buildings are subsequently revalued, on an asset-by-asset basis, to their market values. Valuations of buildings are normally carried out every five years, on an open market value for existing use basis. This period may be reduced for classes of buildings in respect of which market conditions have changed significantly.

The carrying amounts, both those revalued and those measured at cost are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed this recoverable amount, assets are written down to their recoverable amount.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited under revaluation reserve in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated income statement, in which case the increase is recognised in the consolidated income statement. A revaluation deficit is recognised in the consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the original cost of the assets. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation
Depreciation is calculated on a straight line basis on all property, plant and equipment. The rates of depreciation are based upon the following estimated useful lives:

Buildings	20-33.33 years
Leasehold improvements	5-25 years
Motor vehicles	4-10 years
Furniture and office equipment	2-10 years
Machinery and equipment	20 years
Tools and supplies	5 years

Capital work in progress is not subject to depreciation, following completion, capital work in progress is transferred into relevant classification of property, plant and equipment.

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 comprehensive income when the asset is derecognised.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed atleast at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Investment in an associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is the profit attributable to equity holders of the associate, and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates and joint ventures are disclosed for the same reporting period as the Group or to a date not earlier than three months of the Group reporting date using consistent accounting policies. Where practicable, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate and in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

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 cash-generating unit's (CGU) 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 exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 valuation multiples, quoted share prices for publicly traded subsidiaries and associate or other available fair value indicators.

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 land or building previously revalued when 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 to determine whether there is an indication that previously recognised impairment losses no longer exist or 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 income statement unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase in other comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Date of recognition

Financial assets and liabilities are initially recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Classification on initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the investment income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Financial liabilities other than financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable 'e.g.,' financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. 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 observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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 yield (SPPY test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Yield (the 'SPPY test').

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

'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 (for example, if there are payments of principal or amortisation of the premium/discount).

The most significant elements of profit within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPY assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the yield rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and yield on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

The Group classifies its financial assets upon initial recognition into the following categories:
- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to statement of income on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to statement of income on derecognition; and
- Financial assets carried at fair value through profit or loss (FVTPL).

Debt instrument at amortised cost:
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset meet the SPPY test.

Cash and balances with banks and financial institutions, investment deposits and receivables are classified as debt instruments at amortised cost.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Profit income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Debt instruments at FVOCI:
A debt instrument is carried at FVOCI if it meets both of the following conditions:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPY test

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Profit income and foreign exchange gains, losses and ECL are recognised in the consolidated statement of income. Fair value changes which are not part of an effective hedging relationship are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity until the asset is derecognised or reclassified. When the financial asset is derecognised, the cumulative gain or loss previously recognised in consolidated Statement of other comprehensive income is reclassified from equity to the consolidated statement of income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Equity instruments at FVOCI:
Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity investments 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 cumulative changes in fair values 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.

Financial asset at FVTPL:
The Group classifies financial assets at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, profit income and dividends are recorded in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

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

i. Trade receivable
Trade receivables are carried at amounts due, net of expected credit losses and are stated at amortised cost.

ii. Investment deposits
Investment deposits represent amounts placed with a Islamic financial institutions. Profit receivable is recognised as income on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECL) 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. The shortfall is then discounted at an approximation to the asset's original effective profit 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 applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)
Debt instruments and financial assets at FVTPL are not subject to ECL.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group 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 before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement
The Group has determined the classification and measurement of its financial liabilities as follows:

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, including directly attributable transaction costs.

The Group's financial liabilities include term loans and accounts payable.

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

Term loan
Term loan is carried on the statement of financial position at their principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals.

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

Derecognition of financial assets and liabilities
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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 pay.

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 financier 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities (continued)

The Group derecognises a financial asset, such as financing receivables, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financing are classified as Stage 1 for ECL measurement purposes, unless the new financing is deemed to be POCI.

When assessing whether or not to derecognise a financing receivable, amongst others, the Group considers the following factors:

- Change in currency of the financing
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPY criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at original effective profit rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded

Offsetting of financial instruments
Financial assets and financial liabilities are 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 there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions
Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of past events, 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. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of consolidated statement of income net of any reimbursement.

Foreign currencies
The Group's consolidated financial statements are presented in Kuwaiti Dinar (KD), which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's 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 translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in 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 gain or loss on 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).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on 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 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:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

- 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 consolidated 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.

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions
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 discussed below:

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Impairment of property, plant and equipment and intangible assets
The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Useful lives of property, plant and equipment and intangible assets
The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation respectively. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted when the management believes the useful lives differ from previous estimates.

Impairment of accounts receivables
The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for segmentation of customers with similar loss patterns (i.e., product type, customer type etc). The provision matrix is initially based on Group's historical observed default rates. The Group adjusts the historically observed loss rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be a representative of customer's actual default in the future.

Estimation uncertainty
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 discussed below:

Fair value measurements of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- earnings multiple, industry specific price to book multiple, or an industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined.

3 TRADING INCOME

	2018 *KD*	*Restated 2017* *KD*
Sales	56,891,980	53,475,263
Cost of sales	(41,839,719)	(43,191,427)
	15,052,261	10,283,836

4 NET INVESTMENT INCOME

	2018 *KD*	*2017* *KD*
Dividend income	205,075	179,062
Interest income	2,712,362	2,609,905
Unrealised gain on financial assets carried at fair value through profit or loss	15,698	8,956
	2,933,135	2,797,923

5 INCOME TAX EXPENSE

Current income tax:	*2018* *KD*	*Restated* *2017* *KD*
Current income tax	(3,999,133)	(2,116,425)
Deferred tax revenue	801,147	736,706
	(3,197,986)	(1,379,719)

Deferred tax expense:	*2018* *KD*	*2017* *KD*
Fixed assets depreciation	5,960,348	6,735,390
Total deferred tax liabilities as of 31 December	5,960,348	6,735,390
Less:		
Foreign currency translation adjustments	(825,699)	(106,673)
Deferred tax liabilities as of 1 January	6,732,047	7,578,769
Deferred tax charged to consolidated statement of income	801,147	736,706

Unrecognised deferred tax assets relate to the following:	*2018* *KD*	*2017* *KD*
Provision for claim	650,790	1,529,009

The deferred tax assets related to provision for claims were not recognised due to either not approving the tax deduction or absence of sufficient degree of certainty of presence of future tax gains and benefits generated from these assets.

Tax position

Alexandria Fertilizers Company-Abu-Qir (S.A.E.) (The subsidiary)

a) Corporate tax
The Subsidiary's books and records of the years from 2008 to 2013 were inspected and all tax differences arisen were settled. The subsidiary objected and finalized certain points in the specialized internal committee in the center of large taxpayers.

The subsidiary's tax declaration for the years 2014 to 2016 were submitted regularly at the legal dates, these years were not inspected yet.

5 INCOME TAX EXPENSE (continued)

Tax position (continued)

Alexandria Fertilizers Company-Abu-Qir (S.A.E.) (The subsidiary) (continued)

b) Salaries tax

For the years 2013 till 2016
The final annual settlement was submitted to the tax authority and the tax inspection did not take place yet. The deducted salaries tax from employees were paid regularly.

c) Withholding tax
The tax inspection was taken on regular basis and the subsidiary paid the withheld tax according to the law and submitted the legded forms on the legal dates.

d) Sales tax
The subsidiary registered in the Egyptian Tax Authority (previously sales tax authority) on 8 July 2008; since then the subsidiary submit the monthly tax returns regularly according to the law no. 11 for the year 1991 requirements and its superseded law no 67 for the year 2016 regarding "Value Added Tax". The subsidiary is amending its registration to the value added tax.

For the years from 2009 till 2013
The inspection took place and some points were appealed.

For the years 2014 till 2016
The subsidiary's submits the monthly tax returns submitted through these years regularly in the legal dates and the taxes were paid.

e) *International petrochemicals investment Company (S.A.E) (The subsidiary)*
According to article no. 35 from the law no. (8) for the year 1997, investments incentives and guarantees and article no. 128 from its executive regulations, the subsidiary's company was not subject to the tax law and charges in the Egypt; except of withholding tax from others. This exemption terminated by the issuance of law no. 91 for 2005, also the subsidiary is subject to charges of the General Authority for Investment "GAFI".

Tax inspection did not take place for both salary and stamp tax since the establishment of the subsidiary till the date of preparing the financial statements of the subsidiary.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings KD	*Leasehold improvements KD*	*Motor vehicles KD*	*Furniture and office equipment KD*	*Machinery and equipment KD*	*Tools and supplies KD*	*Capital work-in progress KD*	*Total KD*
Cost								
As at 1 January 2018	10,149,677	238,853	227,328	506,063	97,168,866	322,465	4,666,365	113,279,617
Additions	-	-	16,405	9,062	-	-	804,104	829,571
Disposals	-	-	(6,313)	(7,240)	-	-	-	(13,553)
Foreign currency translation adjustments	45,333	1,066	96,577	2,271	(1,032,687)	(94,122)	(3,640,114)	(4,621,676)
As at 31 December 2018	**10,195,010**	**239,919**	**333,997**	**510,156**	**96,136,179**	**228,343**	**1,830,355**	**109,473,959**
Accumulated depreciation:								
As at 1 January 2018	5,065,100	123,701	199,529	473,385	51,127,446	322,464	4,436,290	61,747,916
Charge for the year	497,402	10,935	1,400	4,994,678	19,016	10,530	-	5,533,961
Foreign currency translation adjustments	22,623	551	118,063	(5,019,280)	3,632,560	(114,009)	(4,301,103)	(5,660,595)
As at 31 December 2018	**5,585,125**	**135,187**	**318,992**	**448,783**	**54,779,022**	**218,986**	**135,187**	**61,621,282**
Net book value								
As at 31 December 2018	**4,609,885**	**104,732**	**15,005**	**61,373**	**41,357,157**	**9,357**	**1,695,168**	**47,852,677**
Fully depreciated assets*	1,682,068	49,125	317,592	127,317	-	186,220	323,133	2,685,455

(a) The building includes the value of Smouha apartment, which the formalities of registering it in the Group's name are not, yet finalised.

(b) The property, plant and equipment includes an amount of KD 7,854,251 representing the borrowing costs that have been capitalised on buildings and machinery and equipment during prior years.

* These assets are fully depreciated and still in operation.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings KD	*Leasehold improvements KD*	*Motor vehicles KD*	*Furniture and office equipment KD*	*Machinery and equipment KD*	*Tools and supplies KD*	*Capital work-in progress KD*	*Total KD*
Cost								
As at 1 January 2017	10,294,073	242,251	230,562	507,346	98,551,252	327,052	4,436,290	114,588,826
Additions	-	-	-	6,058	-	-	229,961	236,019
Disposals	-	-	-	(227)	-	-		(227)
Foreign currency translation adjustments	(144,396)	(3,398)	(3,234)	(7,114)	(1,382,386)	(4,587)	114	(1,545,001)
As at 31 December 2017	10,149,677	238,853	227,328	506,063	97,168,866	322,465	4,666,365	113,279,617
Accumulated depreciation:								
As at 1 January 2017	4,634,925	114,418	191,429	461,850	46,740,447	327,052	4,436,290	56,898,411
Charge for the year	494,944	10,881	10,776	18,231	5,040,016	-	-	5,574,848
Disposals	-	-		(227)	-	-	-	(227)
Foreign currency translation adjustments	(64,769)	(1,598)	(2,676)	(6,469)	(653,017)	(4,588)	-	(733,117)
As at 31 December 2017	5,065,100	123,701	199,529	473,385	51,127,446	322,464	4,436,290	61,747,916
Net book value								
As at 31 December 2017	5,084,577	115,152	27,799	32,678	46,049,420	-	230,075	51,539701
Fully depreciated assets*	210,430	48,906	185,392	432,870	665,434	322,465	-	1,865,497

* These assets are fully depreciated and still in operation.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Leased assets

(a) The Group's plant is being constructed on a land leased from Abu Qir Fertilizers Company, the land area is 103,749 square meter, with an annual rental value of KD 190,825 effective from 15 July 2003 and last for 25 years. The Company has also leased a plot of land with an area of 70.15 square meter with an annual rental value of KD 129 to construct a water station effective from 30 January 2005 according to the same agreed terms.

(b) The Group has leased a building from Abu Qir Fertilizers Company to be utilised as its premises, with a monthly rental value of KD 296 effective from 1 December 2003 and last for 5 years ended through December 2008. This contact has been renewed to be ended on 14 July 2028 with an annual rental value of KD 3,904 which will be increased annually by an amount of KD 273.

(c) The Group leased a plot of land adjacent to the Project's land from Abu Qir Fertilizers Company, the total land area is 8000 square meter with an annual rental value of KD 2,465 and will last for 5 years ending 28 February 2009. In 31 December 2007 the contract has been amended so that the leased area became 5,229 square meter with an annual rental value of KD 9,618 subject to 3% annual increase based on the basic rental value and this was effective from 1 January 2008 till 14 July 2028.

7 INTANGIBLE ASSETS

	Goodwill *KD*	*Right of use* *KD*	**Total** *KD*
Cost			
As at 1 January 2018	5,918,291	6,508,453	12,426,744
Amortisation	-	(2,001,426)	(2,001,426)
Foreign currency translation adjustment	26,434	29,070	55,504
As at 31 December 2018	**5,944,725**	**4,536,097**	**10,480,822**

	Goodwill *KD*	*Right of use* *KD*	Total *KD*
Cost			
As at 1 January 2017	6,002,488	8,621,920	14,624,408
Amortisation	-	(1,992,527)	(1,992,527)
Foreign currency translation adjustment	(84,197)	(120,940)	(205,137)
As at 31 December 2017	5,918,291	6,508,453	12,426,744

The right of use represents the amount paid by the subsidiary Company "Alexandria Fertilizers Company-Abu-Qir S.A.E." (the "subsidiary") to a related party for the right to use the pipeline in exporting the Ammonia (Note 17). As per the terms of the settlement agreement, the future economic benefits are expected to be utilised over a period of 10 years.

An amount of KD 15.5 million were capitalized according to the resolution of one of the Group's subsidiary (the "subsidiary") Extra Ordinary General Assembly dated 25 August 2009 in which it has approved the settlement agreement, that was signed on 4 February 2010, to finalize all legal disputes in respect of the subsidiary's capital with certain shareholders. According to the board of director's resolution dated 2 February 2010 the amount was capitalized, as it will result into future economic benefits to the subsidiary resulting from the termination of all legal disputes between the concerned parties and allow the Group to continue exporting its products by using the facility (pipe line) of the related party.

Further, the subsidiary's board of directors (BOD) had approved in its meeting dated 1 December 2016 to capitalize certain expenses of KD 3.6 million, related to the arbitration filed against the Egyptian Government. A settlement agreement was signed on 9 October 2016. That will affect the subsidiary's performance positively in the future by grating the subsidiary right to utilise the amount of Gas required to their production and sells the majority of the products to the international markets.

8 EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 *KD*	*2017* *KD*
Quoted equity securities	4,007,508	2,873,972
Unquoted equity securities	2,967,019	2,967,019
	6,974,527	5,840,991

The movements in these investment securities are as follows:

	2018 *KD*	*2017* *KD*
As at 1 January	5,840,991	12,090,100
Changes in fair value of investment	1,144,180	(6,245,620)
Management fees	(10,644)	(3,489)
As at 31 December	6,974,527	5,840,991

9 INVENTORIES

	2018 *KD*	*2017* *KD*
Raw materials and consumables	829,627	900,608
Spare parts	3,919,048	4,209,350
Finished goods and goods for resale	2,860,355	2,265,168
	7,609,030	7,375,126

10 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 *KD*	*2017* *KD*
Local managed portfolio	54,464	38,508
Debts securities	-	15,078,763
	54,464	15,117,271

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018 *KD*	*2017* *KD*
Trade receivables	478,458	558,079
Other receivables	805,353	974,904
Less: allowance for impairment of receivables	-	(228,569)
	1,283,811	1,304,414
Amounts due from related parties (Note 17)	4,517,905	7,026
Accrued income	34,498	102,587
Deposits with others	135,643	114,426
Advances to suppliers	180,759	89,742
Prepaid expenses	156,518	338,784
Sales tax	1,093,498	559,373
	7,402,632	2,516,352

As at 31 December 2018, trade receivables and other receivables at nominal value of KD Zero (2017: KD 228,569) were impaired and fully provided for.

12 CASH AND CASH EQUIVALENTS

	2018 *KD*	*2017* *KD*
Bank balances	26,325,182	15,530,456
Term deposits	21,782,193	27,946,309
Cash and cash equivalents	48,107,375	43,476,765

Term deposits carry an average effective interest rate of 2.75% (2017: 2.75%) per annum.

13 SHARE CAPITAL

As at 31 December 2018, the Parent Company's authorised, issued and fully paid share capital consists of 500,000,000 (2017: 500,000,000) shares of 100 fils each (2017: 100 fils) which is fully paid in cash.

14 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to equity holders of Parent Company for the year before contribution to KFAS, Zakat tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

Cumulative changes in fair values
Cumulative changes in fair value records fair value changes on financial assets at fair value through other comprehensive income.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

15 TERM LOANS

	2018 *KD*	*2017* *KD*
Classified in the consolidated statement of financial position as follows:		
Instalments due after one year (Non-current)	-	1,653,811
Instalments due within one year (current)	1,661,198	2,835,105
	1,661,198	4,488,916

Term loans of KD 1,661,198 (2017: KD 4,488,916) are secured over the subsidiary Company's tangible and intangible property and any additions that may be owned or generated in future through a first degree commercial mortgage.

Term loans are denominated in US dollars, and carrying interest at commercial floating rates range from 3.5% to 4% per annum.

The Group has contracted with a financial institution to get a medium-term loan of KD 15.3 million; the Group utilise an amount of KD 14.3 million out of this loan according to the contract with the financial institution. The guarantee of this loan is an official mortgage from the first class over certain operating assets owned to the Group.

The loan is repayable over ten semi-annual instalments starting from the date of utilization 22 July 2014, according to the payment schedule stated in the contract. The loan is bearing a variable interest determined in light of the LIBOR rates for six months in addition to a margin.

16 ACCOUNTS PAYABLE AND ACCRUALS

	2018 *KD*	*Restated* *2017* *KD*
Trade payables	3,027,927	3,926,071
Accrued expenses	6,703,015	6,004,844
Amounts due to related party (Note 17)	26,573	49,369
Provision for claims	654,021	1,529,009
Income tax payable	3,731,117	2,117,476
Dividend payable	202,879	251,993
Tax payable	374,953	369,864
Other payables	433,901	1,555,558
	15,154,386	15,804,184

17 RELATED PARTY TRANSACTIONS

Related parties represent i.e. major shareholders, directors and 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 Group's management.

Balances and transactions with related parties included in these consolidated financial statements are as follows:

Transactions with related parties included in consolidated statement of income are as follows:

	Parent Company KD	*Entity under common control KD*	*2018 KD*	*2017 KD*
Management fees (included in Administrative expenses)	28,461	-	28,461	20,511
Management fees (included in Administrative expenses)	302,325	-	302,325	304,475

Balances with related parties included in the consolidated statement of financial position are as follows:

	Parent Company KD	*Entity under common control KD*	*2018 KD*	*2017 KD*
Intangible assets (Note 7)	-	4,536,097	4,536,097	6,508,453
Equity investments at fair value through other comprehensive income (Note 8)	-	4,007,508	4,007,508	2,873,972
Financial assets carried at fair value through profit or loss (Note 10)	-	54,464	54,464	38,508
Amounts due from related parties (Note 11)	-	4,517,905	4,517,905	7,026
Cash and cash equivalents	-	1,281,201	1,281,201	2,212,692
Amounts due to a related party (Note 16)	-	26,573	26,573	49,369

Amounts due from/ to a related party are interest free and are receivable/ payable on demand.

Compensation of key management personnel
The key management personnel of the Group are employees of the Parent Company and are remunerated by them.

Other transactions
The contracts signed with related parties
The Group has signed certain contracts with some of its shareholders and its subsidiary and affiliate companies. The activities of these contracts is conditional on a number of procedures detailed in these contracts. The following is a description of these contracts:

a) Lease contracts
The Group has the following lease contracts with "Abu Qir Fertilizers and Chemical Industries Company" the details of these contracts were disclosed in Note 6:

- To lease a plot of land to construct the factory on this land.
- To lease a building to use it as a temporary premises for the Company's management.
- To lease a pot of land to construct a water station.

b) Ammonia shipping contract
The Group has agreed with "Abu Qir Fertilizers and Chemical Industries Company" on signing a contract for using its offshore and onshore facilities for exporting quantities of the produced ammonia.

18 SEGMENT INFORMATION

For management purposes, the group is organised into two major business segments. The principal activities and services under these segments are as follows:

The manufacturing segment is engaged in the production and distribution of fertilizations as follow:

- Urea: The production and sale of Urea used in agricultural field.
- Ammonia: The production of Ammonia as an intermediate product for the production of Urea and the surplus can be sold as a separate product.

The investment segment is participating and investing in shares of local and foreign companies.

	Manufacturing KD	*Investments KD*	*Others KD*	*Total KD*
2018				
Segment assets	67,400,436	13,040,401	48,107,375	128,548,212
Segment liabilities	22,146,434	629,498	-	22,775,932
Revenue	16,169,744	2,854,400	-	19,024,144
Profit (loss) for the year	8,940,474	2,892,399	(633,295)	11,199,578

	Manufacturing KD	*Investments KD*	*Others KD*	*Total KD*
2017				
Segment assets (restated)	73,952,830	20,919,754	43,476,765	138,349,349
Segment liabilities (restated)	26,088,205	940,285	-	27,028,490
Revenue (restated)	11,822,939	2,619,833	-	14,442,772
Profit (loss) for the year (restated)	7,408,901	2,619,833	(1,906,645)	8,122,089

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 market risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure
The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

19.1 Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group trades mainly with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Group management.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.1 Credit Risk (continued)

Maximum exposure to credit risk

With respect to credit risk arising from the other financial assets of the Group, which comprise Financial assets carried at fair value through profit or loss (debts securities), cash and cash equivalents and accounts receivable, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure 2018 KD	*Gross maximum exposure 2017 KD*
Debts securities	-	15,078,763
Accounts receivable	7,402,632	2,516,352
Cash and cash equivalents	48,107,375	43,476,765
Total credit risk exposure	**55,510,007**	**61,071,880**

Risk concentrations of the 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, before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions and industrial sectors:

2018	*Banking & financial Services KD*	*Other KD*	*Total KD*
- Egypt	21,782,193	-	21,782,193
- Kuwait	362,355	25,962,827	26,325,182
- Others	-	7,402,632	7,402,632
	22,144,548	33,365,459	55,510,007

2017	*Banking & financial Services KD*	*Other KD*	*Total KD*
- Egypt	42,546,949	15,078,763	57,625,712
- Kuwait	929,816	-	929,816
- Others	11,660	2,504,692	2,516,352
	43,488,425	17,583,455	61,071,880

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.1 Credit Risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal assessments. The table below shows the credit quality by class of asset for related consolidated statement of financial position lines, based on the Group's internal credit rating system.

As at 31 December, credit quality per class is as follows:

	Neither past due nor impaired		
	High Grade	*Standard Grade*	*Total*
2018	*KD*	*KD*	*KD*
Financial assets carried at fair value through profit or loss (debs securities)	-	-	-
Accounts receivable	-	7,402,632	7,402,632
Cash and cash equivalents	48,107,375	-	48,107,375
	48,107,375	7,402,632	55,510,007

	Neither past due nor impaired		
	High Grade	*Standard Grade*	*Total*
2017	*KD*	*KD*	*KD*
Financial assets carried at fair value through profit or loss (debs securities)	15,078,763	-	15,078,763
Accounts receivable	-	2,516,352	2,516,352
Cash and cash equivalents	43,476,765	-	43,476,765
	58,555,528	2,516,352	61,071,880

Collateral and other credit enhancements

Due to the nature of the Group's business, the Group does not take possession of collaterals.

19.2 Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Liquidity risk and funding management

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Group also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain limits on the ratio of net liquid assets to liabilities, set to reflect market conditions.

The table below summarises the maturity profile of the Group's liabilities. The maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date based on the contractual repayment agreement. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities at the year end are based on contractual undiscounted repayment arrangement or in the case of equity investments at FVOCI on management's estimate of planned exit dates. The maturity profile of the liabilities at 31 December was as follows:

2018	*On demand*	*3 to 12 months*	*1 to 3 years*	*Total*
	KD	*KD*	*KD*	*KD*
LIABILITIES				
Accounts payable and accruals	26,474	15,127,912	-	15,154,386
Term loans	-	1,661,198	-	1,661,198
Deferred tax	-	-	5,960,348	5,960,348
TOTAL LIABILITIES	26,474	16,789,110	5,960,348	22,775,932

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.2 Liquidity Risk (continued)

2017	*On demand KD*	*3 to 12 months KD*	*1 to 3 years KD*	*Total KD*
LIABILITIES				
Accounts payable and accruals	49,369	15,754,815	-	15,804,184
Term loans	-	2,835,105	1,653,811	4,488,916
Deferred tax	-	-	6,735,390	6,735,390
TOTAL LIABILITIES	49,369	18,589,920	8,389,201	27,028,490

19.3 Market Risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

19.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase/ decrease in basis points	*Effect on profit for the year before income tax, contribution to KFAS ,Zakat and directors' remuneration KD*
2018		
USD	±50	8,305
2017		
USD	±50	11,062

19.3.2 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed by the management of the Parent Company on the basis of limits determined by the Group's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.3 Market Risk (continued)

19.3.2 Foreign currency risk (continued)

The effect on profit before income tax, contribution to KFAS, Zakat and board of directors' remuneration (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	2018			*2017*		
Currency	*Change in currency rate in %*	*Effect on profit for the year before income tax, Contribution to KFAS, Zakat and directors' remuneration KD*	*Effect on equity KD*	*Change in currency rate in %*	*Effect on profit for the year . before income tax, Contribution to KFAS, Zakat and directors' remuneration KD*	*Effect on equity KD*
USD	+5%	1,729,844	3,234	+5%	1,216,909	3,220
EGP	+5%	61,288	-	+5%	37,610	-
Euro	+5%	18,835	-	+5%	16,634	-

19.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on equity (as a result of a change in the fair value of equity investments at FVOCI), and the Group's profit (as a result of a change in the fair value of investments at fair value through profit or loss) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2018			*2017*		
Market indices	*Change in equity price %*	*Effect on equity KD*	*Effect on profit for the year before income tax, Contribution to KFAS, Zakat and directors' remuneration KD*	*Change in equity price %*	*Effect on equity KD*	*Effect on profit for the year before income tax, Contribution to KFAS, Zakat and directors' remuneration KD*
Kuwait	+10	400,751	5,646	+10	287,397	3,851
GCC	+10	296,702	-	+10	296,702	-
Egypt	+10	-	-	+10	-	-
Other	+10	-	-	+10	-	-

19.3.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

20 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

The Group monitors capital using a gearing ratio, which is total debt divided by equity holders attributable to the Parent Company. The Group includes within net debt term loans, accounts payable and accruals less cash and cash equivalents.

	2018 *KD*	*2017* *KD*
Term loans (Note 15)	1,661,198	4,488,916
Accounts payable and accruals	15,154,386	15,804,184
Less: Cash and cash equivalents (Note 12)	(48,107,375)	(43,476,765)
Net surplus debt	(31,291,791)	(23,183,665)
Equity attributable to equity holders of the Parent Company	76,197,567	70,848,602
Gearing ratio (%)	65.05%	53.32%

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of equity securities at FVOCI, financial assets carried at fair through profit or loss, accounts receivable and prepayments, and cash and cash equivalents. Financial liabilities consist of accounts payable and accruals.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

2018	*Level 1* *KD*	*Level 2* *KD*	*Level 3* *KD*	*Total* *KD*
Financial assets at fair value through profit or loss:				
Local managed portfolio	54,464	-	-	54,464
Equity investment at FVOCI:				
Quoted equity securities	4,007,508	-	-	-
Unquoted equity securities	-	-	-	4,007,508
	4,061,972	-	-	8,069,480

23 CORRECTION OF ERRORS

The subsidiary's management decided to restate its consolidated financial statements of the prior year ended December 31, 2017, to rectify retrospectively the effects of the accounting error, resulted from not recognizing the differences in the value of the additional quantities consumed during 2017.

The correction of the above-mentioned error has been accounted for retrospectively in accordance with International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* Accordingly, the respective comparative amounts have been restated to reflect the correct amounts. The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	2017 As previously reported KD	*Effect of restatement KD*	*2017 as restated KD*
Consolidated Statement of comprehensive income			
Cost of sales	(41,918,318)	(1,273,109)	(43,191,427)
Current income tax	(2,402,875)	286,450	(2,116,425)
Exchange differences on translation of foreign operations	(1,412,876)	(490)	(1,413,366)
Statement of financial position			
Foreign currency translation reserve	2,163,661	(293)	2,163,368
Retained earnings	15,566,653	(590,220)	14,976,433
Non-controlling interests	40,868,894	(396,637)	40,472,257
Trade payables	2,652,329	1,273,742	3,926,071
Income tax payable	2,404,068	(286,592)	2,117,476