National Petroleum Services Company K.S.C.P.
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Petroleum Services Company K.S.C.P. (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 profit or loss, 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 its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

a) Recognition and measurement of revenue

Revenue from sale of goods is recognised at point in time when control of the goods is transferred to the customer and in case of service income, over the time when the services have been rendered. Revenue for individual jobs is measured based on the contractual terms and master agreements that are agreed with customers relating to oil field services and non-oil field services. Due to the multi-element nature of such jobs involving supply of goods, which are of specialised nature, and rendering of services that comprise supply of manpower and equipment usage charges, there is a significant risk of misstatement in the recognition and measurement of revenue. Therefore, we considered this as a key audit matter.

Our audit procedures, among others, included assessing the appropriateness of the Group's revenue recognition accounting policies and compliance with those policies. Further, we performed test of details by verifying the revenue recognised to the underlying contracts, master agreements and records supporting delivery of goods and services rendered, including the testing of timing of revenue recognition through cut-off procedures. We also performed substantive analytical review which included a detailed comparison of revenue and gross profit margin with the previous year and budgets as well as product wise detailed analysis.

The accounting policy and the related disclosures for revenue recognition are set out in Notes 3 and 30 to the consolidated financial statements.

b) Expected Credit Losses ("ECL") on Trade Receivables

As at 31 December 2018, trade receivables amounting to KD 5,894,014, representing 13.26% of total assets (31 December 2017: KD 9,679,862). Effective from 1 January 2018, the Group has applied the simplified approach under IFRS 9: *'Financial Instruments'* ("IFRS 9") to measure ECL on trade receivables, which allows for lifetime ECL to be recognised from initial recognition of the trade receivables. The Group determines the ECL on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the individual trade receivables and the economic environment. Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered this as a key audit matter.

As part of our audit procedures, we have assessed the reasonableness of the assumptions used in the ECL methodology by comparing them with historical data adjusted for current market conditions and forward-looking information. Further, in order to evaluate the appropriateness of management judgements, we verified, on a sample basis, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also considered the adequacy of the Group's disclosures relating to ECL, management's assessment of the credit risk and their responses to such risks in Note 8 and Note 27 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

Other information included in the Group's 2018 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of 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 regulation, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 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 regulation, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 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.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)

ALI MOHAMMED KOUHARI
LICENCE NO.156-A
MEMBER OF PRIMEGLOBAL

7 February 2019
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	***2018*** ***KD***	*2017* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**12,164,611**	11,651,391
Intangible assets		**-**	173
Financial assets available for sale	6	**-**	38,203
		12,164,611	11,689,767
Current assets			
Inventories	7	**3,384,236**	2,711,172
Trade receivables	8	**5,894,014**	9,679,862
Other receivables	9	**3,609,087**	2,014,670
Financial assets at fair value through profit or loss	10	**2,226,035**	2,209,657
Term deposits	11	**11,400,000**	4,000,000
Bank balances and cash	12	**5,781,168**	6,126,624
		32,294,540	26,741,985
TOTAL ASSETS		**44,459,151**	38,431,752
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**10,000,000**	10,000,000
Share premium	14	**3,310,705**	3,310,705
Treasury shares	15	**(654,461)**	(585,062)
Treasury shares reserve		**33,825**	33,825
Statutory reserve	16	**5,858,895**	4,604,793
Voluntary reserve	17	**5,858,895**	4,604,793
Foreign currency translation reserve		**8,418**	8,418
Fair value reserve		**-**	9,952
Retained earnings		**11,757,883**	8,282,670
Equity attributable to equity holders of the Parent Company		**36,174,160**	30,270,094
Non-controlling interests		**40,154**	41,681
Total equity		**36,214,314**	30,311,775
Non-current liability			
Employees' end of service benefits	18	**2,239,794**	1,884,009
Current liability			
Accounts payable and accruals	19	**6,005,043**	6,235,968
Total liabilities		**8,244,837**	8,119,977
TOTAL EQUITY AND LIABILITIES		**44,459,151**	38,431,752

Omran Habib Jawhar Hayat
Chairman

National Petroleum Services Co. (K.S.C.)
الشركة الوطنية للخدمات البترولية (ش.م.ك)

The attached notes 1 to 31 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	*2018* *KD*	*2017* *KD*
Sales and services revenue	30	**33,502,761**	29,853,291
Cost of sales and services		**(20,014,490)**	(18,015,823)
GROSS PROFIT		**13,488,271**	11,837,468
Interest income		**261,824**	88,452
Net investments income	20	**175,041**	317,226
Other income		**97,422**	25,929
Write off of property, plant and equipment	5	**(132,597)**	-
Net foreign exchange differences		**(16,583)**	(109,525)
Administrative expenses	21	**(1,333,883)**	(1,541,282)
PROFIT FOR THE YEAR BEFORE TAX AND DIRECTORS' REMUNERATION		**12,539,495**	10,618,268
Contribution for Kuwait Foundation for the Advancement of Sciences (KFAS)		**(112,855)**	(95,564)
National Labour Support Tax (NLST)		**(324,790)**	(265,457)
Zakat		**(129,916)**	(106,183)
Directors' remuneration		**(180,000)**	(150,000)
PROFIT FOR THE YEAR		**11,791,934**	10,001,064
Attributable to:			
Equity holders of the Parent Company		**11,793,461**	10,016,008
Non-controlling interests		**(1,527)**	(14,944)
		11,791,934	10,001,064
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	22	**121.56 fils**	103.17 fils

The attached notes 1 to 31 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 *KD*	*2017* *KD*
Profit for the year	**11,791,934**	10,001,064
Other comprehensive (loss) income		
Other comprehensive (loss) income that may be reclassified to consolidated statement of profit or loss in subsequent periods:		
Net change in fair value of available for sale financial assets	-	(11,260)
Foreign currency translation adjustment		2,775
Other comprehensive loss for the year	-	(8,485)
Total comprehensive income for the year	**11,791,934**	9,992,579
Attributable to:		
Equity holders of the Parent Company	**11,793,461**	10,007,523
Non-controlling interests	**(1,527)**	(14,944)
	11,791,934	9,992,579

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company											
	Share capital *KD*	*Share premium* *KD*	*Treasury shares* *KD*	*Treasury shares reserve* *KD*	*Statutory reserve* *KD*	*Voluntary reserve* *KD*	*Foreign currency translation reserve* *KD*	*Fair value reserve* *KD*	*Retained earnings* *KD*	*Sub-total* *KD*	*Non-controlling interests* *KD*	***Total equity*** ***KD***
At 1 January 2018	10,000,000	3,310,705	(585,062)	33,825	4,604,793	4,604,793	8,418	9,952	8,282,670	30,270,094	41,681	30,311,775
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 31)	-	-	-	-	-	-	-	(9,952)	9,952	-	-	-
Balance as at 1 January 2018 *(restated)*	10,000,000	3,310,705	(585,062)	33,825	4,604,793	4,604,793	8,418	-	8,292,622	30,270,094	41,681	30,311,775
Profit and total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	11,793,461	11,793,461	(1,527)	11,791,934
Purchase of treasury shares	-	-	(69,399)	-	-	-	-	-	-	(69,399)	-	(69,399)
Dividends (Note 13)	-	-	-	-	-	-	-	-	(5,819,996)	(5,819,996)	-	(5,819,996)
Transfer to reserves	-	-	-	-	1,254,102	1,254,102	-	-	(2,508,204)	-	-	-
At 31 December 2018	**10,000,000**	**3,310,705**	**(654,461)**	**33,825**	**5,858,895**	**5,858,895**	**8,418**	**-**	**11,757,883**	**36,174,160**	**40,154**	**36,214,314**
At 1 January 2017	5,760,951	3,310,705	(585,062)	33,825	3,541,472	3,541,472	5,643	21,212	9,124,176	24,754,394	39,162	24,793,556
Profit (loss) for the year	-	-	-	-	-	-	-	-	10,016,008	10,016,008	(14,944)	10,001,064
Other comprehensive income (loss) for the year	-	-	-	-	-	-	2,775	(11,260)	-	(8,485)	-	(8,485)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	2,775	(11,260)	10,016,008	10,007,523	(14,944)	9,992,579
Issue of bonus shares (Note 13)	4,239,049	-	-	-	-	-	-	-	(4,239,049)	-	-	-
Dividends (Note 13)	-	-	-	-	-	-	-	-	(4,474,360)	(4,474,360)	-	(4,474,360)
Other adjustments	-	-	-	-	-	-	-	-	(17,463)	(17,463)	17,463	-
Transfer to reserves	-	-	-	-	1,063,321	1,063,321	-	-	(2,126,642)	-	-	-
At 31 December 2017	10,000,000	3,310,705	(585,062)	33,825	4,604,793	4,604,793	8,418	9,952	8,282,670	30,270,094	41,681	30,311,775

The attached notes 1 to 31 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		**11,791,934**	10,001,064
Adjustments to reconcile profit for the year to net cash flows:			
Depreciation and amortization		**1,973,859**	1,878,372
Write off of property, plant and equipment	5	**132,597**	-
Gain on sale of property, plant and equipment		**(14,784)**	(15,933)
Dividend income	20	**(174,287)**	(318,591)
Realised gain on sale of financial assets at fair value through profit or loss	20	**(1,911)**	(11,866)
Impairment loss on available for sale financial assets	20	**-**	303
Unrealised loss on financial assets at fair value through profit or loss	20	**1,157**	12,705
Investment expenses	20	**-**	223
Interest income		**(261,824)**	(88,452)
Net foreign exchange differences		**16,583**	109,525
Provision for employees' end of service benefits	18	**452,119**	489,861
		13,915,443	12,057,211
Working capital adjustments:			
Inventories		**(673,064)**	(4,234)
Trade receivables		**3,785,848**	(1,609,682)
Other receivables		**(1,423,517)**	(1,121,008)
Accounts payable and accruals		**(241,405)**	52,113
Cash generated from operations		**15,363,305**	9,374,400
Employees' end of service benefits paid	18	**(96,334)**	(197,824)
Net cash flows from operating activities		**15,266,971**	9,176,576
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(2,620,595)**	(5,175,993)
Proceeds from sale of property, plant and equipment		**15,876**	46,059
Purchase of financial assets at fair value through profit or loss		**-**	(76,776)
Proceeds from sale of financial assets at fair value through profit or loss		**22,579**	262,211
Dividend income received	20	**174,287**	318,591
Investment expenses paid	20	**-**	(223)
Interest income received		**90,924**	88,452
Investment in term deposits		**(7,400,000)**	-
Net cash flows used in investing activities		**(9,716,929)**	(4,537,679)
FINANCING ACTIVITIES			
Dividends paid		**(5,826,099)**	(4,408,004)
Purchase of treasury shares		**(69,399)**	-
Net cash flows used in financing activities		**(5,895,498)**	(4,408,004)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(345,456)**	230,893
Foreign currency translation adjustment		**-**	2,775
Bank balances and cash at 1 January	12	**6,126,624**	5,892,956
BANK BALANCES AND CASH AT 31 DECEMBER	12	**5,781,168**	6,126,624

The attached notes 1 to 31 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The Group comprises National Petroleum Services Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"). The Parent Company was established as a Kuwaiti shareholding Company on 3 January 1993 and was listed on the Kuwait Stock Exchange Market on 18 October 2003. The registered office of the Parent Company is at Industrial Shuaiba, Al-Ahmadi, Plot 3, P.O. Box 9801, 61008, Kuwait.

The primary objectives of the Parent Company are as follows:

- Performing all support services for wells drilling, repairing and preparation for production as well as wells maintenance related services.
- Establishing industrial firms for the purpose of manufacturing and producing the equipments and materials necessary for achieving such objectives after obtaining the approval of the competent authorities.
- Importing and owning machines, tools and materials necessary for achieving its objectives.
- Owning lands and real estate necessary for establishing its entities and equipment.
- Importing and exporting chemicals necessary for the execution of the works stated above.
- Concluding agreements and obtaining privileges which it deems necessary for the achieving its objectives.
- Possessing the required patents, and trademarks.
- Obtaining and granting agencies in respect of the Parent Company's business operations.
- Conducting studies, queries and researches relevant to the Parent Company's primary objectives.

The Parent Company may carry out all of the above mentioned activities inside or outside the State of Kuwait. The Parent Company may also have an interest or participate in any way with entities practicing activities similar to its own or which may assist it in achieving its objectives inside or outside the state of Kuwait, or may acquire those entities or have them affiliated to it.

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 7 February 2019 and are subject to the approval of the shareholders at Annual General Assembly meeting (AGM) of the Parent Company. The AGM of the shareholders has the power to amend these consolidated financial statements after issuance.

Details of subsidiaries are given in Note 2.2.

2.1 BASIS OF PREPARATION

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

Basis of preparation
The consolidated financial statements are prepared on a historical cost basis except for investment securities that are measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also 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 (investees which are controlled by the Group) 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.

2.2 BASIS OF CONSOLIDATION (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the 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 Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The consolidated financial statements include the following subsidiaries:

			Effective ownership %	
Entity	*Country of incorporation*	*Principal activities*	***2018***	*2017*
Napesco International Petroleum Services Single Person Company	Kuwait	Drilling & maintenance of oil wells and chemical waste management	**100%**	100%
Napesco India LLP (owned through Napesco International Petroleum Services Single Person Company)	India	Support activities for petroleum and natural gas mining incidental to onshore and offshore oil & gas extraction.	**79.99%**	79.99%

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the Parent Company.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of IFRS 9 *'Financial Instruments'* and IFRS 15 *"Revenue from contracts with customers"* effective from 1 January 2018.

Adoption of IFRS 9 'Financial Instruments'
The Group has adopted IFRS 9 *Financial Instruments* effective from 1 January 2018. IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

The Group has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

Classification and measurement of financial assets and financial liabilities:
IFRS 9 contains three principal classification categories for financial assets:
- measured at amortised cost,
- Fair Value through Other Comprehensive Income (FVOCI) and
- Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminated the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Group's accounting policies for classification and measurement of financial assets under IFRS 9 is explained in Note 3.

The adoption of IFRS 9 has an impact on the accounting policies and classification of financial assets as disclosed in note 3 and note 31. However, it did not have a significant effect on the Group's accounting policies for financial liabilities.

Impairment of financial assets:
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group's accounting policies for impairment of financial assets under IFRS 9 is explained in note 3.

Hedge accounting:
The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group does not enter into any derivative instruments or applies hedge accounting.

Adoption of IFRS 15 'Revenue from Contracts with Customers'
The Group has adopted IFRS 15 *Revenue from contracts with customers* effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The adoption of this standard did not result in any change in accounting policies of the Group and did not have any material impact on the Group's consolidated financial statements except certain disclosures required by the Standard, which are given in note 30.

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, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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. 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 balance sheet. 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. The Group is in the process of evaluating the impact of IFRS 16 on the Group's consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

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

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on the delivery of the equipment.

Service income

Service income is recognized over time, when the service is rendered and payments are due generally upon completion of services or acceptance by the customer.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from shareholding associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight line basis over the estimated useful lives of the property, plant and equipment up to the residual value, as follows:

• Buildings on leasehold land	20 years
• Plant and machinery	10 years
• Furniture and fixtures	3 years
• Motor vehicles	3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

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 profit or loss when the asset is derecognised.

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

Intangible assets
Intangible assets represent payment made towards acquiring right to use software. Intangible assets are carried at cost less accumulated amortisation and any impairment in value, if any.

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 at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing 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 statement of profit or loss in the expense category consistent with the function of the intangible assets. Amortisation is computed on straight line basis on the estimated useful lives of 3 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
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 statement of profit or loss when the asset is derecognised.

Inventories
Inventories are valued at the lower of cost and net realizable value after providing allowances for any obsolete or slow moving items. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Policy applicable from 1 January 2018

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cashflow characteristics of the financial assets. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Assessment of whether the contractual cashflows are solely payments of principal and interest (SPPI test)
In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Business model assessment
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets - Policy applicable from 1 January 2018 (continued)
Subsequent measurement (continued)
Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Group's financial assets at amortised cost includes trade receivables, certain other receivable, term deposits and bank balances and cash.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted, unquoted equity investments and managed funds for which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are also recognised as dividend income in the statement of profit or loss when the right of payment has been established.

Policy applicable before 1 January 2018

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

Other receivables
Other receivables are measured at amortised cost using effective interest rate.

Available for sale financial assets
Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not designated at fair value through profit or loss, investments held-to-maturity or loans and receivables.

After initial recognition, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the cumulative changes in fair values reserve until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial liabilities

Initial recognition and measurement
The accounting for financial liabilities remains largely the same as it was under IAS 39. Financial liabilities are classified as financial liabilities at fair value through profit or loss, loan and borrowings and payable, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include accounts payables. The Group did not have any financial liabilities at fair value through profit or loss as at the reporting date.

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

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

Financial assets
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;
- 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 asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

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

For trade receivables and contract assets, 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Policy applicable before 1 January 2018

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

Available for sale financial assets
For available for sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an available for sale financial asset or a group of available for sale financial assets is impaired.

In the case of equity investments classified as available for sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those available for sale financial assets previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increase in their fair value after impairment is recognised directly in other comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Bank balances and cash

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of, cash in hand, bank balances, short-term deposits with an original maturity of three months or less.

Fair value

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 consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value 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 financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the most recent net assets value reported by the managers and administrators of such vehicles.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value (continued)

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

An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 28.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' end of service benefits

The Group provides end of service benefits to all its employees under the Kuwait Labour Law. 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 Institution 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 recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

The consolidated financial statements are presented in KD which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at reporting date. All exchange differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date 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 was determined. 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 closing rate.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to the consolidated statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Provision for expected credit losses on trade receivables

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the Group's economic environment. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in a particular sector, the historical default rates are adjusted.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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:

Fair value 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;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. 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 where the management believes the useful lives differ from previous estimates.

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 statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

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, based on anticipated selling prices.

5 PROPERTY, PLANT AND EQUIPMENT

	Buildings ***KD***	***Plant and machinery*** ***KD***	***Furniture and fixtures*** ***KD***	***Motor vehicles*** ***KD***	***Total*** ***KD***
Cost					
As at 1 January 2018	2,827,278	23,268,196	640,065	497,065	**27,232,604**
Additions	-	2,603,135	4,330	13,130	**2,620,595**
Disposals	-	(73,971)	-	(53,061)	**(127,032)**
Write offs	-	(233,994)	-	-	**(233,994)**
As at 31 December 2018	2,827,278	25,563,366	644,395	457,134	**29,492,173**
Accumulated depreciation					
As at 1 January 2018	1,637,683	12,893,368	614,643	435,519	**15,581,213**
Transfers	-	55,680	(52,621)	(3,059)	**-**
Charge for the year	122,254	1,757,328	42,266	51,838	**1,973,686**
Relating to disposals	-	(73,970)	-	(51,970)	**(125,940)**
Relating to write offs	-	(101,397)	-	-	**(101,397)**
As at 31 December 2018	1,759,937	14,531,009	604,288	432,328	**17,327,562**
Net book value:					
As at 31 December 2018	**1,067,341**	**11,032,357**	**40,107**	**24,806**	**12,164,611**

	Buildings *KD*	*Plant and machinery* *KD*	*Furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost					
As at 1 January 2017	2,827,278	18,213,084	613,826	528,480	22,182,668
Additions	-	5,095,737	69,606	10,650	5,175,993
Disposals	-	(40,625)	(43,367)	(42,065)	(126,057)
As at 31 December 2017	2,827,278	23,268,196	640,065	497,065	27,232,604
Accumulated depreciation					
As at 1 January 2017	1,515,428	11,310,305	597,044	392,346	13,815,123
Charge for the year	122,255	1,599,421	55,107	85,238	1,862,021
Relating to disposals	-	(16,358)	(37,508)	(42,065)	(95,931)
As at 31 December 2017	1,637,683	12,893,368	614,643	435,519	15,581,213
Net book value:					
As at 31 December 2017	1,189,595	10,374,828	25,422	61,546	11,651,391

Depreciation included in the consolidated statement of profit or loss is allocated as follows:

	2018 ***KD***	*2017* *KD*
Cost of sales and services	**1,942,113**	1,802,905
Administrative expenses (Note 21)	**31,573**	59,116
	1,973,686	1,862,021

5 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group`s buildings are constructed on a leasehold land granted by the Public Authority of Industry, which will expire on July 5, 2023. The lease is renewable indefinitely, at nominal ground rent, and with no premium payable on renewal.

During the year ended 31 December 2018, the Board of Directors approved the write-off of certain PPE items with a net book value of KD 132,597 (31 December 2017: KD nil).

6 AVAILABLE FOR SALE FINANCIAL ASSETS

	2018	*2017*
	KD	*KD*
Funds and managed portfolios	-	3,223
Quoted equity securities	-	34,980
	-	38,203

Due to adoption of IFRS 9, Available for sale financial assets have been designated at FVTPL at the date of initial application. (Note 31).

7 INVENTORIES

	2018	*2017*
	KD	*KD*
Cement and acidizing chemicals	**2,248,924**	1,653,858
Spare parts and tools	**1,135,312**	1,057,314
	3,384,236	2,711,172

8 TRADE RECEIVABLES

	2018	*2017*
	KD	*KD*
Trade receivables	**5,934,014**	9,719,862
Less: Allowance for expected credit losses (2017: provision for impairment of trade receivables)	**(40,000)**	(40,000)
	5,894,014	9,679,862

9 OTHER RECEIVABLES

	2018	*2017*
	KD	*KD*
Advance payments to suppliers	**181,178**	706,132
Staff receivables	**453,258**	352,624
Unbilled revenue	**2,671,426**	879,093
Deposits and other receivables	**303,225**	76,821
	3,609,087	2,014,670

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	*2017*
	KD	*KD*
Financial assets held for trading:		
Quoted equity securities	**30,114**	-
Financial assets designated at fair value through profit or loss:		
Funds and managed portfolios	**2,195,921**	2,209,657
	2,226,035	2,209,657

The hierarchy of determining and disclosing the fair values by valuation technique is presented in Note 28.

11 TERM DEPOSITS

Term deposits represents deposit with a local bank with original maturity of more than three months but less than one year from the date of placement, and earn interest at commercial rates.

12 BANK BALANCES AND CASH

For the purpose of consolidated statement of cash flows, bank balances and cash comprise the following:

	2018	*2017*
	KD	*KD*
Cash on hand	**12,980**	7,978
Balances with banks and financial institutions	**5,768,188**	6,118,646
	5,781,168	6,126,624

13 SHARE CAPITAL AND DIVIDENDS

	Authorised, issued and fully paid up	
	2018	*2017*
	KD	*KD*
100,000,000 shares (2017: 100,000,000 shares) of 100 fils each, paid in cash	**10,000,000**	10,000,000

The Parent Company's Board of Directors in their meeting held on 29 January 2018 proposed cash dividends of 60 fils per share (aggregating to KD 5,819,996) for the year ended 31 December 2017. The 2017 proposed dividend was approved in the AGM on 14 March 2018.

The Parent Company's Board of Directors in their meeting held on 21 February 2017 proposed cash dividends of 80 fils per share (aggregating to KD 4,474,360) and distribution of bonus shares of 42,390,490 shares (73.58% approximately on outstanding shares as at 31 December 2016). The 2016 proposed dividend was approved in the AGM held on 17 May 2017.

At the Extraordinary General Meeting (EGM) dated 14 June 2017, the shareholders of the Parent Company approved the increase in authorised share capital from 57,609,510 shares to 100,000,000 shares of 100 fils each on account of bonus issue.

The Board of Directors recommended distribution of cash dividend of 70 fils per share (aggregating to KD 6,790,000). The cash dividend, if approved in the Annual General Assembly, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

14 SHARE PREMIUM

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by the Companies Law.

15 TREASURY SHARES

	2018	*2017*
Number of treasury shares	**3,000,000**	2,916,185
Percentage of issued shares	**3.00%**	2.92%
Market value (KD)	**2,760,000**	2,309,619
Cost (KD)	**654,461**	585,062

The balance in the treasury shares reserve of KD 33,825 (2017: KD 33,825) is not available for distribution. Reserves and retained earnings equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

16 STATUTORY RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

Distribution of the Parent Company's statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

17 VOLUNTARY RESERVE

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Parent Company's shareholders' General Assembly upon a recommendation by the Board of Directors. There is no restriction on distribution of the voluntary reserve.

18 EMPLOYEES' END OF SERVICE BENEFITS

Movement in provision for employees' end of service benefits during the year is as follows:

	2018 KD	*2017 KD*
At 1 January	**1,884,009**	1,591,972
Charge for the year	**452,119**	489,861
Paid during the year	**(96,334)**	(197,824)
At 31 December	**2,239,794**	1,884,009

19 ACCOUNTS PAYABLE AND ACCRUALS

	2018 KD	*2017 KD*
Trade payables	**789,074**	279,916
Staff accruals and other accrued expenses	**3,958,209**	4,827,792
Advances received from subcontractor	**511,056**	511,056
KFAS, NLST and Zakat payable	**566,704**	467,204
Directors' remuneration payable	**180,000**	150,000
	6,005,043	6,235,968

20 NET INVESTMENT INCOME

	2018 *KD*	*2017* *KD*
Dividend income	**174,287**	318,591
Realised gain on sale of financial assets at fair value through profit or loss	**1,911**	11,866
Impairment loss on available for sale financial assets	**-**	(303)
Unrealized loss on financial assets at fair value through profit or loss	**(1,157)**	(12,705)
Investment expenses	**-**	(223)
	175,041	317,226

21 ADMINISTRATIVE EXPENSES

	2018 *KD*	*2017* *KD*
Staff costs	**721,558**	893,577
Professional fees	**63,703**	138,082
Depreciation (Note 5)	**31,573**	59,116
Selling and distribution expenses	**210,467**	168,185
Others	**306,582**	282,322
	1,333,883	1,541,282

22 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic and diluted EPS are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, taking into account the weighted average effect of changes in treasury shares during the year, as follows:

	2018	*2017*
Profit for the year attributable to equity holders of the Parent Company (KD)	**11,793,461**	10,016,008
	Shares	*Shares*
Weighted average number of ordinary shares	**100,000,000**	100,000,000
Less: weighted average number of treasury shares	**(2,982,826)**	(2,916,185)
Weighted average number of shares outstanding	**97,017,174**	97,083,815
Basic and diluted EPS attributable to the equity holders of the Parent Company (fils)	**121.56**	103.17

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

23 CONTINGENT LIABILITIES

At 31 December 2018, the Group has provided letter of guarantees for the performance of contracts arising in the ordinary course of the business, amounting to KD 8,128,894 (31 December 2017: KD 6,131,259). No material liability is expected to arise.

24 COMMITMENTS

At 31 December 2018, the Group had capital commitments relating to the purchase of property, plant and equipment amounting to KD 76,073 (31 December 2017: KD 936,902). Delivery is expected within twelve months from the reporting date.

25 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services and has two reportable operating segments i.e. oil field services and non-oil field services. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss.

Oil field services

Oil field services comprise of cementing and stimulation formulations for different applications and operating environments for Oil Rigs. It mainly includes well cementing services, and well intervention services.

Non-oil field services

Non-oil field services comprise of a number of diversified activities with health, safety and environmental services, engineering and consultancy services.

The following table presents revenue and segment results information in respect of the Group's business segments:

	For the year ended 31 December 2018			*For the year ended 31 December 2017*		
	Oil field services KD	***Non-oil field services KD***	***Total KD***	*Oil field services KD*	*Non-oil field services KD*	*Total KD*
Segment revenue	**25,344,831**	**8,157,930**	**33,502,761**	23,639,304	6,213,987	29,853,291
Segment cost	**(13,142,382)**	**(6,872,108)**	**(20,014,490)**	(11,909,236)	(6,106,587)	(18,015,823)
Segment results	**12,202,449**	**1,285,822**	**13,488,271**	11,730,068	107,400	11,837,468
Unallocated costs			**(2,081,444)**			(2,158,486)
Other income (net)			**385,107**			322,082
Profit for the year			**11,791,934**			10,001,064

25 SEGMENT INFORMATION (continued)

The following table presents segment assets information in respect of the Group's business segments:

	At 31 December 2018			*At 31 December 2017*		
	Oil field Services KD	***Non-oil field services KD***	***Total KD***	*Oil field Services KD*	*Non-oil field services KD*	*Total KD*
Segment assets	**40,730,392**	**1,502,724**	**42,233,116**	34,333,544	1,850,348	36,183,892
Unallocated assets			**2,226,035**			2,247,860
			44,459,151			38,431,752
Segment liabilities	**8,217,425**	**27,412**	**8,244,837**	8,065,653	54,324	8,119,977

26 RELATED PARTY DISCLOSURES

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

Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2018	*2017*
	KD	*KD*
Salaries and short-term benefits	**452,733**	430,081
Employees' end of service benefits	**13,794**	16,674
	466,527	446,755

The shareholders at the Annual General Meeting held on 14 March 2018 approved the proposed Board of Directors' remuneration amounting to KD 150,000 for the year ended 31 December 2017 and was paid subsequent to the approval. The Board of Directors proposed directors' remuneration for the year ended 31 December 2018 amounting to KD 180,000, which is subject to approval by the Annual General Assembly.

27 RISK MANAGEMENT

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, interest/profit rate risk, foreign currency risk and equity price risk.

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2018 and 31 December 2017. The management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

27.1 Credit risk

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises in the Group's normal course of business. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Collateral and other credit enhancements

The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2018 and 2017.

Concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and with customers in various industries. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's 5 largest customers account for 96% of outstanding trade receivables at 31 December 2018 (2017: 97%).

With respect to credit risk arising from the other financial assets of the Group, 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. Bank balances are placed with reputable financial institutions.

27 RISK MANAGEMENT (continued)

27.1 Credit risk

Set out below is the information about the credit risk exposure on the Group's trade receivables and unbilled revenue relating to contacts using a provision matrix:

		Trade receivables				
			Past due but not impaired			
	Unbilled revenue	*Neither past due nor impaired <60 days*	*<90 days*	*91-180 days*	*>180 days*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
2018						
Estimated gross carrying amount at default	**2,671,426**	**3,656,538**	**1,079,611**	**714,049**	**483,816**	**5,934,014**
Estimated credit loss						**40,000**
2017						
Estimated gross carrying amount at default	879,093	4,510,445	1,347,236	1,183,164	2,679,017	9,719,862
Estimated credit loss						40,000

27.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis. The Group's credit sales require amounts to be paid within 60 days of the date of invoice and trade payables are normally settled within 60 to 90 days from the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December based on contractual payment dates.

31 December 2018	***Less than 3 months KD***	***3 to 12 months KD***	***Total KD***
Accounts payable and accruals (excluding advances received from subcontractors)	**5,493,987**	-	**5,493,987**
Commitments	-	**76,073**	**76,073**
31 December 2017			
Accounts payable and accruals (excluding advances received from subcontractors)	5,724,912	-	5,724,912
Commitments	-	936,902	936,902

27 RISK MANAGEMENT (continued)

27.3 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.

27.3.1 Interest rate risk

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

27.3.2 Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of current and expected exchange rate movements.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a 5 % change in currency rate against the Kuwaiti Dinar, with all other variables held constant on the consolidated statement of profit or loss:

	Effect on profit for the year	
	2018	*2017*
	KD	*KD*
US Dollars	**148,169**	66,925

The exposure to other foreign currencies is not significant to the Group's consolidated financial statements. There is no direct impact on the Group's other comprehensive income.

27.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The Group manages the equity price risk on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

The effect on consolidated statement of profit or loss (as a result of a change in the fair value of financial assets at fair value through profit or loss) and on the consolidated statement of comprehensive income (as a result of a change in the fair value of available for sale financial assets) 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 consolidated statement of profit or loss KD***	***Effect on consolidated statement of comprehensive income KD***	*Change in equity price %*	*Effect on consolidated statement of profit or loss KD*	*Effect on consolidated statement of comprehensive income KD*
Kuwait Stock Exchange	**5%**	**1,506**	-	5%	-	1,749

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amounts approximate to their fair value.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2018	***Level 1 KD***	***Level 3 KD***	***Total KD***
Assets measured at fair value			
Financial assets at fair value through profit or loss	**30,114**	**2,195,921**	**2,226,035**

At 31 December 2017	*Level 1 KD*	*Level 3 KD*	*Total KD*
Assets measured at fair value			
Available for sale financial assets	34,980	3,223	38,203
Financial assets at fair value through profit or loss	-	2,209,657	2,209,657
	34,980	2,212,880	2,247,860

The fair value of the above investment securities is categorised as per the policy on fair value measurement in Note 3. There were no transfers between the different levels of fair value during the year.

The movement in Level 3 fair value hierarchy during the year is given below:

	At 1 January 2018 KD	***Reclassification on adoption of IFRS9 KD***	***Net (sales) and purchases KD***	***Loss recorded in consolidated statement of profit or loss KD***	***At 31 December 2018 KD***
Assets measured at fair value					
Financial assets at fair value through profit or loss	**2,209,657**	**3,223**	**(16,204)**	**(755)**	**2,195,921**

	At 1 January 2017 KD	*Net (sales) and purchases KD*	*Loss recorded in consolidated statement of profit or loss KD*	*At 31 December 2017 KD*
Assets measured at fair value				
Available for sale financial assets	3,223	-	-	3,223
Financial assets at fair value through profit or loss	2,365,571	(155,075)	(839)	2,209,657
	2,368,794	(155,075)	(839)	2,212,880

The fair value of other financial instruments are not materially different from their carrying value.

29 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 36,174,160 as at 31 December 2018 (2017: KD 30,270,094).

30 SALES AND SERVICES REVENUE

The following table shows the gross amounts of 'sales and services revenue' included in the consolidated statement of profit or loss for the years ended 31 December 2018 and 2017.

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

	2018 KD	*2017 KD*
Sales and services revenue from contracts with customers		
Oil field contracts		
Cementing services	**17,059,129**	18,223,844
Stimulations services	**8,285,702**	5,415,460
	25,344,831	23,639,304
Non-oil field contracts		
Fire-fighting services	**2,134,908**	1,585,471
Waste management services	**949,741**	333,418
Health and safety man-power services	**1,132,734**	1,019,510
Oil spill response management	**423,847**	702,903
Hiring of earth moving equipment and personnel	**709,233**	803,018
PIC manpower supply contract	**650,820**	184,980
	6,001,283	4,629,300
Sales and services revenue from contracts with customers	**31,346,114**	28,268,604
Non-contract revenue	**2,156,647**	1,584,687
	33,502,761	29,853,291

Summary of contract balances	***2018 KD***	*2017 KD*
Trade receivables	**5,894,014**	9,679,862
Unbilled revenue (Note 9)	**2,671,426**	879,093

Unbilled revenue are contract assets that are initially recognised for revenue earned from services contracts as receipt of consideration is conditional on the successful completion of the service and a corresponding acceptance from the customer. On completion of the service and acceptance by the customer, the amounts recognised as unbilled revenue are reclassified to trade receivables.

31 IMPACT OF IFRS 9 ADOPTION

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original classification categories and carrying value in accordance with IAS 39 and the new classification categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Transition Adjustments (reclassification) KD*	*New carrying amount under IFRS 9 KD*
Available for sale financial assets	Available for sale financial assets	Financial assets at FVTPL	**38,203**	**(38,203)**	**-**
Trade receivables	Loans and receivables	Amortised cost	**9,679,862**	-	**9,679,862**
Other receivables	Loans and receivables	Amortised cost	**429,445**	-	**429,445**
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at FVTPL	**2,209,657**	**38,203**	**2,247,860**
Term deposits	Loans and receivables	Amortised cost	**4,000,000**	-	**4,000,000**
Bank balances	Loans and receivables	Amortised cost	**6,126,624**	-	**6,126,624**
Total financial assets			**22,483,791**	-	**22,483,791**

Impact of Adopting IFRS 9

The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings.

	Fair value reserve KD	***Retained earnings KD***
Closing balance under IAS 39 (31 December 2017)	9,952	8,282,670
Impact on reclassification and re-measurements:		
Financial assets (equity) from available-for-sale to FVTPL	(9,952)	9,952
Opening balance under IFRS 9 on date of initial application of 1 January 2018	-	8,292,622