CONTRACTING AND MARINE SERVICES COMPANY - K.S.C. (CLOSED)
AND SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH
INDEPENDENT AUDITOR'S REPORT

CONTRACTING AND MARINE SERVICES COMPANY - K.S.C. (CLOSED)
AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Contracting and Marine Services Company - K.S.C. (Closed)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Contracting and Marine Services Company - K.S.C. (Closed) ("the Parent Company") and subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to 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 December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

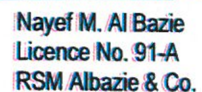
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely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

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

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

Report on 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 and its Executive Regulations, 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 and its Executive Regulations, as amended or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended December 31, 2019 that might have had a material effect on the business of the Parent Company or on its financial position, except for the Parent Company's non-compliance of its objectives in the Articles of Association as a result of owning an investment property and leasing it to others.



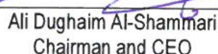
Nayef M. Al Bazie
Licence No. 91-A
RSM Albazie & Co.

State of Kuwait
April 15, 2020

CONTRACTING AND MARINE SERVICES COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(All amounts are in Kuwaiti Dinars)

	Note	2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents	3	**20,861,416**	7,390,489
Time deposits	4	**260,637**	1,255,622
Financial assets at fair value through profit or loss ("FVTPL")		**377,335**	360,997
Accounts receivable and other debit balances	5	**43,569,305**	34,870,472
Inventories	6	**4,269,267**	4,194,924
Total current assets		**69,337,960**	48,072,504
Non-current assets:			
Financial assets at fair value through other comprehensive income ("FVOCI")	7	**1,775,942**	1,331,278
Derrick barge under construction	8	**6,145,215**	1,424,866
Investment property	9	**2,242,859**	2,191,077
Right-of-use assets	10	**159,754**	-
Property, plant and equipment	11	**341,071,042**	324,474,015
Total non-current assets		**351,394,812**	329,421,236
Total assets		**420,732,772**	377,493,740
LIABILITIES AND EQUITY			
Current liabilities:			
Due to banks		**179,712**	375,623
Term loans	12	**35,259,530**	37,044,889
Murabaha payable	13	**6,750,000**	5,874,000
Lease liabilities	14	**74,330**	-
Accounts payable and other credit balances	15	**41,444,851**	34,779,204
Advances from customers		**8,080,575**	11,116,388
Total current liabilities		**91,788,998**	89,190,104
Non-current liabilities:			
Term loans	12	**219,019,988**	170,982,834
Lease Liabilities	14	**206,552**	-
Advances from customers		**7,668,850**	16,733,877
Provision for end of service indemnity	16	**6,181,334**	5,700,107
Total non-current liabilities		**233,076,724**	193,416,818
Total Liabilities		**324,865,722**	282,606,922
Equity:			
Share capital	17	**22,916,620**	22,916,620
Share premium		**8,998,290**	8,998,290
Treasury shares		**(110,308)**	(110,308)
Statutory reserve	18	**7,113,950**	6,951,161
Voluntary reserve	19	**613,164**	613,164
General reserve		**605,480**	605,480
Treasury shares reserve		**108,025**	108,025
Other reserve		**(86,887)**	(86,887)
Fair value reserve		**(1,120,232)**	(1,564,896)
Revaluation surplus		**1,083,910**	1,144,127
Retained earnings		**8,157,271**	7,775,265
Equity attributable to shareholders of the Parent Company		**48,279,283**	47,350,041
Non-controlling interests	20	**47,587,767**	47,536,777
Total equity		**95,867,050**	94,886,818
Total liabilities and equity		**420,732,772**	377,493,740

The accompanying notes from (1) to (32) form an integral part of the consolidated financial statements.


Ali Dughaim Al-Shammari
Chairman and CEO

Ahmed Saad Al-Munaifi
Vice Chairman

CONTRACTING AND MARINE SERVICES COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019

(All amounts are in Kuwaiti Dinars)

	Note	2019	2018
Operating revenue	22	**129,485,418**	128,163,194
Operating costs	11, 23	**(112,560,895)**	(111,600,214)
Gross profit		**16,924,523**	16,562,980
General and administrative expenses	23	**(5,578,486)**	(5,632,968)
Depreciation of right-of-use assets	9,10	**(85,899)**	-
Depreciation and amortization	9,11	**(307,429)**	(278,628)
Allowance for expected credit losses	5	**(240,000)**	(200,000)
Provision for slow-moving inventories	6	**(37,779)**	(51,313)
Profit from operations		**10,674,930**	10,400,071
Finance charges	24	**(8,672,100)**	(8,921,477)
Net investment income (loss)		**118,047**	(103,001)
Foreign exchange loss		**(32,216)**	(20,463)
Interest income		**50,184**	30,441
Other income		**618,033**	319,443
Profit for the year		**2,756,878**	1,705,014
Attributable to:			
Shareholders of the Parent Company		**1,627,888**	969,177
Non-controlling interests	20	**1,128,990**	735,837
Profit for the year		**2,756,878**	1,705,014
		Fils	Fils
Basic and diluted earnings per share attributable to shareholders of the Parent Company	21	**7.12**	4.24

The accompanying notes from (1) to (32) form an integral part of the consolidated financial statements.

CONTRACTING AND MARINE SERVICES COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(All amounts are in Kuwaiti Dinars)

	Note	2019	2018
Profit for the year		**2,756,878**	1,705,014
Net other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at FVOCI		**444,664**	54,172
Revaluation surplus	11	**-**	2,361,459
Net other comprehensive income for the year		**444,664**	2,415,631
Total comprehensive income for the year		**3,201,542**	4,120,645
Attributable to:			
Shareholders of the Parent Company		**2,072,552**	2,227,693
Non-controlling interests	20	**1,128,990**	1,892,952
Total comprehensive income for the year		**3,201,542**	4,120,645

The accompanying notes from (1) to (32) form an integral part of the consolidated financial statements.

CONTRACTING AND MARINE SERVICES COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	General reserve	Treasury shares reserve	Other reserve	Fair value reserve	Revaluation surplus	Retained earnings	Sub-total	Non-controlling interests	Total
Balance as at December 31, 2017	22,916,620	8,998,290	(110,308)	6,854,243	613,164	605,480	108,025	(86,887)	(493,728)	-	10,510,322	49,915,221	48,630,920	98,546,141
Effect of adoption of IFRS 9	-	-	-	-	-	-	-	-	(1,125,340)	-	(1,405,474)	(2,530,814)	(1,370,095)	(3,900,909)
Restated balance as at January 1, 2018	22,916,620	8,998,290	(110,308)	6,854,243	613,164	605,480	108,025	(86,887)	(1,619,068)	-	9,104,848	47,384,407	47,260,825	94,645,232
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	-	-	(2,286,620)	(2,286,620)	-	(2,286,620)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,617,000)	(1,617,000)
Transfer to retained earnings on disposal of financial assets at FVOCI	-	-	-	-	-	-	-	-	-	-	24,561	24,561	-	24,561
Transfer from revaluation surplus to retained earnings	-	-	-	-	-	-	-	-	-	(60,217)	60,217	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	54,172	1,204,344	969,177	2,227,693	1,892,952	4,120,645
Transfer to statutory reserve	-	-	-	96,918	-	-	-	-	-	-	(96,918)	-	-	-
Balance as at December 31, 2018	22,916,620	8,998,290	(110,308)	6,951,161	613,164	605,480	108,025	(86,887)	(1,564,896)	1,144,127	7,775,265	47,350,041	47,536,777	94,886,818
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	-	-	(1,143,310)	(1,143,310)	-	(1,143,310)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,078,000)	(1,078,000)
Transfer from revaluation surplus to retained earnings	-	-	-	-	-	-	-	-	-	(60,217)	60,217	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	444,664	-	1,627,888	2,072,552	1,128,990	3,201,542
Transfer to statutory reserve	-	-	-	162,789	-	-	-	-	-	-	(162,789)	-	-	-
Balance as at December 31, 2019	**22,916,620**	**8,998,290**	**(110,308)**	**7,113,950**	**613,164**	**605,480**	**108,025**	**(86,887)**	**(1,120,232)**	**1,083,910**	**8,157,271**	**48,279,283**	**47,587,767**	**95,867,050**

The accompanying notes from (1) to (32) form an integral part of the consolidated financial statements.

CONTRACTING AND MARINE SERVICES COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(All amounts are in Kuwaiti Dinars)

	2019	2018
Cash flows from operating activities:		
Profit for the year	**2,756,878**	1,705,014
Adjustments for:		
Provision for end of service indemnity	**1,171,566**	1,092,625
Depreciation of right-of-use assets	**85,899**	-
Depreciation and amortization	**25,421,364**	32,271,971
Allowance for expected credit losses	**240,000**	200,000
Provision for slow-moving inventories	**37,779**	51,313
Finance charges	**8,672,100**	8,921,477
Net investment (income) loss	**(118,047)**	103,001
Interest income	**(50,184)**	(30,441)
Provision for end of service indemnity no longer required	**(3,205)**	(9,077)
Foreign exchange loss	**32,216**	20,463
	38,246,366	44,326,346
Change in operating assets and liabilities:		
Accounts receivable and other debit balances	**(8,923,242)**	(2,506,862)
Inventories	**(112,122)**	605,945
Accounts payable and other credit balances	**7,043,842**	(2,346,004)
Advances from customers	**(12,100,840)**	(12,217,715)
Cash flows generated from operations	**24,154,004**	27,861,710
Payment of end of service indemnity	**(687,134)**	(547,540)
Payment of NLST	**-**	(37,051)
Payment of Board of Directors' remuneration	**-**	(102,000)
Net cash flows generated from operating activities	**23,466,870**	27,175,119
Cash flows from investing activities:		
Time deposits	**994,985**	757,237
Proceeds from sale of financial assets at FVTPL	**254,897**	110,000
Paid for purchase of financial assets at FVTPL	**(226,341)**	-
Cash (injection in) withdrawal from investment portfolio	**(7,678)**	11,435
Proceeds from sale of financial assets at FVOCI	**-**	124,658
Paid for construction of derrick barge	**(4,561,320)**	(1,424,866)
Paid for purchase of property, plant and equipment	**(41,944,117)**	(14,719,813)
Paid for investment in unconsolidated subsidiaries	**-**	(99,000)
Cash dividends received	**80,831**	56,230
Interest income received	**34,593**	26,035
Net cash flows used in investing activities	**(45,374,150)**	(15,158,084)
Cash flows from financing activities:		
Due to banks	**(195,911)**	37,893
Term loans	**46,251,795**	(2,698,826)
Murabaha payable	**876,000**	185,000
Payment of lease liabilities	**(103,300)**	-
Dividends paid to shareholders of the Parent Company	**(1,117,123)**	(2,254,524)
Dividends paid to non-controlling interests	**(1,078,000)**	(1,617,000)
Finance charges paid	**(9,255,254)**	(8,405,182)
Net cash flows generated from (used in) financing activities	**35,378,207**	(14,752,639)
Net increase (decrease) in cash and cash equivalents	**13,470,927**	(2,735,604)
Cash and cash equivalents at the beginning of the year	**7,390,489**	10,126,093
Cash and cash equivalents at the end of the year	**20,861,416**	7,390,489

The accompanying notes from (1) to (32) form an integral part of the consolidated financial statements.

1. Incorporation and activities of the Parent Company

Contracting and Marine Services Company (the Parent Company) is a Kuwaiti Closed Shareholding Company incorporated through Agreement No. 1166/Vol 3 dated September 13, 1973. The Parent Company's commercial registration number is 19481 dated September 30, 1973.

The principal activities of the Parent Company include:

- Carrying out all marine & oil contracting services including related maintenance works and conduct similar activities through participation or interests in other entities. The Parent Company may have an interest or to participate in any way with institutions practicing activities similar to its activities or which may assist the Parent Company in achieving its objectives inside and outside the State of Kuwait, and may acquire those institutions or have them affiliated to it.
- Investing the Parent Company's surplus funds in investment portfolios managed by specialized entities.

The Parent Company's registered address is the Kuwait Chamber of Commerce and Industry Building, first floor, Mubarak Al-Kabeer St., 9th Trade Area, and its registered address is P.O. Box No. 22853, Safat 13089, State of Kuwait.

The total number of employees of the Group as at December 31, 2019 is 4,861 employees (2018: 4,771 employees).

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on April 15, 2020. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost basis, except for financial assets at FVTPL, financial assets at FVOCI and right of utilization of leasehold land that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(u).

Adoption of new and revised standard

New and amended IFRS standard that is effective for the current year:

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting standard as of January 1, 2019:

IFRS 16 - Leases

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

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

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and accordingly, the comparative information is not restated.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on Lessee Accounting

Former operating leases:
IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of profit or loss.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

Former finance leases:
The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

Financial impact from initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position at the date of initial application ranges from 4% to 4.125%.

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

Consolidated statement of financial position as at January 1, 2019

	KD
Assets:	
Investment property "Right-of-use assets" (Note 9)	147,065
Right-of-use assets (Note 10)	224,644
	371,709
Liabilities:	
Lease liabilities (Note 14)	371,709

The table below shows the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year.

Impact on the consolidated statement of profit or loss:	KD
Increase in depreciation expenses of right-of-use assets	(85,899)
Decrease in prepaid lease expenses	10,500
Increase in finance charges on lease liabilities	(12,473)
Decrease in general and administrative expenses	92,800
Increase in profit for the year	**4,928**

Impact on assets and liabilities as at December 31, 2019	As if IAS 17 still applied KD	IFRS 16 adjustments KD	As presented KD
Investment property "Right-of-use assets" (Note 9)	-	126,056	126,056
Right-of-use assets (Note 10)	-	159,754	159,754
Net impact on total assets	-	**285,810**	**285,810**
Lease liabilities (Note 14)	-	280,882	280,882
Net impact on total liabilities	-	**280,882**	**280,882**

Impact on the consolidated statement of cash flows

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group.

Under IFRS 16, lessees must present:

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- cash payments for the principal portion for lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by KD 98,372 and net cash used in financing activities increased by KD 103,300.

Amendments to IFRS 9: Prepayment features with negative compensation
Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments do not have any material impact on the consolidated financial statements.

Annual Improvements 2015 – 2017 Cycle (issued in December 2017)

IFRS 3 – Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments do not have any material impact on the consolidated financial statements.

IFRS 11 – Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

IAS 23 – Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

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

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

Name of the subsidiary	Country of incorporation	Principal activities	Percentage of holding % 2019	2018
Directly held:				
International Marine Construction Company (K.S.C.C) (a)	Kuwait	Offshore works for the petroleum industry	**98.5**	98.5
Kuwait Drilling Company (K.S.C.C)	Kuwait	Drilling Operations	**51**	51
Zone Global for Logistic Services Company (W.L.L) (a)	Kuwait	Logistic Services	**99**	-
Held through Kuwait Drilling Company K.S.C.C:				
Ratawy Company for General Trading and Contracting (W.L.L) (a)	Kuwait	General Trading and Contracting	**99**	99
Kuwait Zone for Human Resources Company (Sole Proprietorship)	Kuwait	Human Resources	**100**	100

a) The other investment percentages in these subsidiaries are registered in the name of a related party, and there is a waiver letter that the beneficial ownership of this investment is in favor of the Group. Accordingly, the Group has consoldiated these subsidiaries at 100%.

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassess 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 listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Current vs 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 realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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

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 assets and liabilities as non-current.

d) Financial instruments

The Group classifies its financial instruments as "Financial assets" and "Financial Liabilities". Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, time deposits, receivables, financial assets at FVTPL, financial assets at FVOCI, due to banks, term loans, Murabaha payable, lease liabilities and accounts payable.

(A) Financial assets

I. Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Initial recognition

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

The Group classifies its financial assets upon initial recognition as follows:

- Debt instruments at amortized cost
- Equity instruments at FVOCI, with no recycling of gains or losses to consolidated statement of profit or loss on derecognition
- Financial assets at FVPTL

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

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

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of income. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating and recognizing interest revenue or interest expense in profit or loss over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Cash and cash equivalents, time deposits and receivables are classified as debt instruments at amortized cost.

i. Cash and cash equivalents
Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

ii. Time deposits
Time deposits are placed with banks and have a contractual maturity of more than three months.

iii. Trade receivables
Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in the consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the consolidated statement of changes in equity.

The Group classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI (see above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment as at FVOCI on initial recognition (see above).

Changes in fair value, gain on disposal, return income and dividends are recorded in the statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The Group classifies investments in quoted and unquoted equity investments under financial assets at FVTPL in the consolidated statement of financial position.

II. Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. 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 debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

(B) Financial liabilities
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVTPL or at amortized cost using effective interest rate method.

Financial liabilities at amortized cost
Financial liabilities that are not at FVTPL as above are measured subsequently at amortized cost using the effective interest method.

i) Accounts payable
Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

ii) Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

iii) Murabaha payable
Murabaha payables are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 recognized in consolidated statement of profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

(C) Offsetting of financial assets and liabilities
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.

e) Inventories
Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labor 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 realizable 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 realizable value.

f) Investment properties
Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is constructed is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

g) Property, plant and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Right of utilization of leasehold land is shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of right of utilization of leasehold land is credited to revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in other comprehensive income; all other decreases are charged to consolidated statement of profit or loss for the period. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to consolidated statement of profit or loss for the period and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period.

Capital work in progress is carried at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified in the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

Assets category	Years
Offshore/marine machinery and heavy equipment	7 – 20
Buildings, camps and communication equipment	2 – 10
Tools, spares and equipment	1 – 5
Office and site furniture, fixtures and other equipment	4 - 10
Transportation and motor vehicles	3 - 10

The depreciation of drilling equipment is calculated based on number of production hours.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

h) Impairment of non–financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

Recoverable amount is the higher of the 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.

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 recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

j) Dividend distribution to shareholders of the Parent Company

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized, and the distribution are no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent Company at the Shareholders' Annual General Assembly Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

k) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and 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. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

m) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable.

Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, 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.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

n) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has 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 Group applies a five step model are as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The Customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The Customer has the significant risks and rewards of ownership of the asset.
- The Customer has accepted the asset.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.
Revenue for the Group arises from the following activities:

(i) Drilling contract revenue
Drilling contract revenue is recognized when the service is rendered and over time based on the ratio between the number of hours of drilling services provided.

(ii) Rendering of services
Revenue from service contracts is recognized when the service is rendered.

(iii) Equipment rental revenue
Equipment rental revenue is recognized, when earned, on a time apportionment basis as per the terms of the contract.

(iv) Other income and expenses
Other income and expenses are recognized on an accrual basis.

o) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

p) Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting periods are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as financial assets at FVOCI are included in "cumulative changes in fair value" in other comprehensive income.

q) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration and after deducting its share of income from Kuwaiti shareholding subsidiaries and transfer to statutory reserve. No KFAS has been provided for the year ended December 31, 2019, since there was no eligible profit on which KFAS could be calculated.

r) Zakat
Zakat is calculated at 1% on the profit of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration and after deducting its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 for year 2006 and Ministerial Resolution No. 58 for year 2007 and their executive regulations. No Zakat has been provided for the year ended December 31, 2019, since there was no eligible profit on which Zakat could be calculated.

s) Contingencies
Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

t) Leases

Group as a lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

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

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

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

u) Critical accounting estimates and judgments
The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

Judgments
In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note 2(n) are met requires significant judgment.

(ii) Allowance for expected credit losses
The determination of the recoverability of the amount due from customers and the factors determining the impairment of receivables involve significant judgment.

(iii) Provision for inventories
The determination of the marketability of the inventories and the factors determining the impairment of the inventories involve significant judgment.

(iv) Classification of financial assets
On acquisition of a financial asset, the Group decides whether it should be classified as at "amortized cost", "FVTPL" or "FVOCI". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2d(A-i)).

(v) Classification of land
Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

a) Properties under development
When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

b) Work in progress
When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

c) Properties held for trading
When the intention of the Group is to sell land in the ordinary course of business, the land is classified as properties held for trading.

d) Investment properties
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(vi) Leases
Critical judgements required in the application of IFRS 16 include, among others, the following:
- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement,
- Determining the stand-alone selling prices of lease and non-lease components.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period 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.

(i) Useful lives of depreciable assets
The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

(ii) Fair value of unquoted financial assets
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(iii) Allowance for expected credit losses
The extent of allowance for expected credit losses involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach as explained in Note 2d(A-ii). Bad debts are written off when identified. The ECL allowance and write-down of accounts receivable are subject to management approval.

(iv) Provision for inventories
The extent of provision for inventories involves estimation process. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of inventories are subject to management approval.

(v) Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(vi) Leases
Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:
- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

3. Cash and cash equivalents

	2019	2018
Cash on hand and at banks	**3,956,474**	5,588,931
Short-term bank deposits	**16,904,942**	1,801,558
	20,861,416	7,390,489

The effective interest rate on short-term bank deposits ranges from 2.5% to 3.75% (2018: 2.3%) per annum and have an average contractual maturity ranging from 35 days to 74 days (2018: 7 days).

4. Time deposits
The effective interest rate on time deposits is 2.875% (2018: 2.625%) per annum. These deposits have an average contractual maturity of 365 days (2018: 92 days).

5. Accounts receivable and other debit balances

	2019	2018
Trade receivables (a)	**24,813,744**	27,897,014
Less: allowance for expected credit losses (b)	**(3,436,114)**	(3,196,114)
	21,377,630	24,700,900
Advance payments to suppliers (c)	**12,590,835**	5,291,725
Receivables – service rendered but not invoiced	**8,352,672**	3,790,897
Dry-docking	**439,878**	205,866
Prepaid expenses	**150,951**	208,600
Other debit balances	**657,339**	672,484
	43,569,305	34,870,472

a) Trade receivables
Trade receivables are non-interest bearing and are generally due within 90 days.

The aging analysis of the trade receivables as at the date of the consolidated statement of financial position is as follows:

	Less than 90 days	91 – 180 days	181 – 360 days	361 – 720 days	More than 720 days	Total
2019	**17,118,149**	**579,029**	**745,495**	**1,498,015**	**4,873,056**	**24,813,744**
2018	15,971,289	6,285,629	606,866	2,227,756	2,805,474	27,897,014

As at December 31, 2019, trade receivables amounting to KD 3,436,114 (2018: KD 3,196,114) were credit impaired and fully provided for. The Group expects to recover a portion of these receivables.

b) Allowance for expected credit losses
The movement in the allowance for expected credit losses during the year is as follows:

	2019	2018
Balance at the beginning of the year	**3,196,114**	200,000
Effect of applying IFRS 9 – Expected credit losses on the opening retained earnings as at January 1, 2018	**-**	2,796,114
Charge for the year	**240,000**	200,000
Balance at the end of the year	**3,436,114**	3,196,114

c) This mainly represents advance payments to suppliers towards purchasing property, plant and equipment.

6. Inventories

	2019	2018
Spare parts	**4,609,547**	4,497,425
Provision for slow-moving inventories (a)	**(340,280)**	(302,501)
	4,269,267	4,194,924

(a) The movement in the provision for slow-moving inventories is as follows:

	2019	2018
Balance at the beginning of the year	**302,501**	251,188
Charge for the year	**37,779**	51,313
Balance at the end of the year	**340,280**	302,501

7. Financial assets at fair value through other comprehensive income ("FVOCI")

	2019	2018
Quoted securities	**1,350,872**	848,830
Unquoted securities	**425,070**	482,448
	1,775,942	1,331,278

Financial assets FVOCI are denominated in the following currencies:

Currency	**2019**	2018
Kuwaiti Dinar	**1,751,820**	1,263,620
US Dollar	**24,122**	67,658
	1,775,942	1,331,278

8. Derrick barge under construction

Represents advance payments to suppliers for constructing a derrick barge "Jawhara III".

The movement during the year is as follows:

	2019	2018
Balance as at December 31, 2018	**1,424,866**	-
Payments made during the year	**4,561,320**	1,424,866
Finance charges capitalized	**159,029**	-
Balance as at December 31, 2019	**6,145,215**	1,424,866

The derrick barge under construction and all equipment attached thereto are pledged against term loan obtained from a local bank (Note 12).

9. Investment property

The movement during the year was as follows:

	Building	Right-of-use assets of leasehold land	Total
Cost:			
At December 31, 2018	2,228,221	-	2,228,221
Effect of applying IFRS 16 as at January 1, 2019 (Note 2) and (a)	-	147,065	147,065
At December 31, 2019	**2,228,221**	**147,065**	**2,375,286**
Accumulated depreciation:			
At December 31, 2018	37,144	-	37,144
Charge for the year	74,274	21,009	95,283
At December 31, 2019	**111,418**	**21,009**	**132,427**
Net book value:			
At December 31, 2019	**2,116,803**	**126,056**	**2,242,859**
At December 31, 2018	2,191,077	-	2,191,077

(a) Upon adoption of IFRS 16, the Parent Company has recorded KD 147,065 as right-of-use assets which representing the present value of future minimum lease payments. The right-of-use contract represents the Parent Company's right of utilization of leasehold land located East of Al-Ahmdi Area - State of Kuwait from the Public Authority for Industry. The lease period is 7 years. The lease agreement does not contain any variable lease payment terms.

10. Right-of-use assets

The Group leases offices premises with a lease term ranging from 3 to 5 years. The lease agreement does not contain any variable lease payment terms.

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

	KD
Impact on adoption of IFRS 16 at January 1, 2019 (Note 2)	224,644
Depreciation charge for the year	(64,890)
Net carrying amount as at December 31, 2019	**159,754**

11. Property, plant and equipment

	Right of utilization of leasehold land	Offshore / marine machinery, drilling and heavy equipment	Buildings, camps and communication equipment	Tools, spares and equipment	Office and site furniture, fixtures and other equipment	Transportation and motor vehicles	Capital work in progress	Total
Cost:								
At December 31, 2018	2,553,359	486,322,334	26,721,316	1,819,055	6,098,308	8,810,873	6,385,148	538,710,393
Additions	-	1,950,655	190,128	71,585	38,192	460,275	39,233,282	41,944,117
Transferred from capital work in progress	-	30,390,168	677,189	-	-	141,100	(31,208,457)	-
Disposals	-	-	-	-	-	(6,305)	-	(6,305)
At December 31, 2019	**2,553,359**	**518,663,157**	**27,588,633**	**1,890,640**	**6,136,500**	**9,405,943**	**14,409,973**	**580,648,205**
Accumulated amortization / depreciation:								
At December 31, 2018	297,109	186,758,508	15,471,065	1,702,766	4,537,675	5,469,255	-	214,236,378
Charge for the year	118,750	22,065,692	1,576,829	76,388	347,393	1,162,038	-	25,347,090
Related to disposals	-	-	-	-	-	(6,305)	-	(6,305)
At December 31, 2019	**415,859**	**208,824,200**	**17,047,894**	**1,779,154**	**4,885,068**	**6,624,988**	-	**239,577,163**
Net book value:								
At December 31, 2019	**2,137,500**	**309,486,868**	**10,540,739**	**463,575**	**1,251,432**	**2,780,955**	**14,409,973**	**341,071,042**
At December 31, 2018	2,256,250	299,563,826	11,250,251	116,289	1,560,633	3,341,618	6,385,148	324,474,015

Depreciation and amortization charge for the year is allocated as follows:

	2019	2018
Operating costs	**25,113,935**	31,993,343
Consolidated statement of profit or loss	**233,155**	241,484
	25,347,090	32,234,827

(i) Property, plant and equipment with a carrying value of KD 43,422,833 (2018: KD 44,453,143) are pledged against term loans obtained by a subsidiary (Note 12).
(ii) The Group has right of utilization of land leased from the Public Authority of Industry - State of Kuwait and located East of Al-Ahmdi Area expiring on November 7, 2021 and is renewable. The right of utilization are pledged against bank facilities obtained from a local bank (Note 12).
(iii) Capital work in progress represents cargo and drilling equipment in process of installation.
(iv) During the year ended December 31, 2019, the Group capitalized finance charges on bank borrowings relating to property, plant and equipment amounting to KD 717,673 (2018: KD 130,219).

12. Term loans

	2019		2018	
	Current	**Non-Current**	Current	Non-current
Revolving loan from a local bank carrying an interest rate of 1.125% (2018: 1.25%) per annum over the Central Bank of Kuwait discount rate.	**7,499,500**	-	7,257,500	-
Loan from a local bank denominated in USD and carrying an interest rate of 3% (2018: 3%) per annum over LIBOR.	**548,190**	**591,959**	546,840	1,141,088
Loan from a local bank denominated in USD and carrying an interest rate of 3.5% per annum over LIBOR, and repayable in varying semi-annual instalments starting from January 15, 2021 with final payment on July 15, 2027.	-	**3,406,942**	-	-
Loans from local banks carrying an interest rate ranging from 0.75% to 1.625% (2018: 0.75% to 1.625%) per annum over the Central Bank of Kuwait discount rate.	**27,061,840**	**214,315,087**	29,240,549	169,841,746
Loan from a local bank carrying an interest rate of 1.125% per annum over the Central Bank of Kuwait discount rate and is paid in quarterly instalments and the final instalment is due on December 31, 2024.	**150,000**	**706,000**	-	-
	35,259,530	**219,019,988**	37,044,889	170,982,834

Certain term loans are secured against:

a) The derrick barge under construction (Note 8) and all equipment attached thereto with proper insurance coverage.
b) Pledge over certain property, plant and equipment (Note 11).
c) Promissory notes.
d) The assignment of all the receivables under the operational contract with AGOC / KGOC.
e) The corporate guarantee from the Parent Company.

13. Murabaha payable

Murabaha payable represents financing granted by a local Islamic bank carrying an annual cost rate of 1% (2018: 1%) over the Central Bank of Kuwait discount rate and is renewable every six months.

The financing is secured against promissory notes in favour of the bank.

14. Lease Liabilities

Lease liabilities as at December 31, 2019 is classified as follows:

	KD
Current	74,330
Non-current	206,552
Total present value of minimum lease payments	**280,882**

The movement of lease liabilities is as follows:

	KD
Impact on adoption of IFRS 16 at January 1, 2019 (Note 2)	371,709
Finance charges (Note 24)	12,473
Lease payments during the year	(103,300)
Balance at the end of the year	**280,882**

The lease term ranges from 3 to 7 years and the effective borrowing cost rate from 4% to 4.125% for the year ended December 31, 2019. The lease is on a fixed repayment basis and no arrangements have been entered into for additional contingent rental payments.

15. Accounts payable and other credit balances

	2019	2018
Trade payables	**34,587,699**	27,767,285
Accrued expenses	**2,206,383**	3,045,114
Accrued staff leave	**4,544,005**	3,886,228
Accrued dividends payable	**106,764**	80,577
	41,444,851	34,779,204

16. Provision for end of service indemnity

	2019	2018
Balance at the beginning of the year	**5,700,107**	5,164,099
Charge for the year	**1,171,566**	1,092,625
Paid during the year	**(687,134)**	(547,540)
Provision no longer required	**(3,205)**	(9,077)
Balance at the end of the year	**6,181,334**	5,700,107

17. Share capital

The authorized, issued and paid up capital comprises of of 229,166,200 (2018: 229,166,200) shares with a nominal value of 100 fils each and all shares are paid in cash.

18. Statutory reserve

As required by Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association.

19. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly upon recommendation by the Board of Directors. The Parent Company stopped transfers to voluntary reserve in prior years.

20. Principal subsidiary with major non-controlling interest ("NCI") which is material to the Group

Name of the subsidiary	Country of incorporation	Ownership interest held by the Group (%)		Ownership interest held by the NCI (%)		Principal activities
		2019	2018	**2019**	2018	
Kuwait Drilling Company K.S.C. (Closed)	Kuwait	**51%**	51%	**49%**	49%	Drilling operations

Total non-controlling interest as of December 31, 2019 amount to KD 47,587,767 (2018: KD 47,536,777).

Summarized financial information of the above subsidiary having non-controlling interests that is material to the Group is disclosed below:

Summarized consolidated statement of financial position

	2019	2018
Current assets	**64,165,695**	43,359,840
Current liabilities	**(74,860,624)**	(74,054,054)
Net current liabilities	**(10,694,929)**	(30,694,214)
Non-current assets	**335,418,210**	319,540,356
Non-current liabilities	**(227,605,390)**	(191,832,312)
Net non-current assets	**107,812,820**	127,708,044
Net assets	**97,117,891**	97,013,830
Net assets attributable to the Group	**49,530,124**	49,477,053
Net assets attributable to non-controlling interests	**47,587,767**	47,536,777

Summarized consolidated statement of profit or loss and other comprehensive income

	2019	2018
Revenue	**122,610,254**	120,898,655
Expenses and other charges	**(120,306,193)**	(119,396,946)
Net profit for the year	**2,304,061**	1,501,709
Other comprehensive income	**-**	2,361,459
Total comprehensive income	**2,304,061**	3,863,168
Attributable to the Group	**1,175,071**	1,970,216
Attributable to non-controlling interests	**1,128,990**	1,892,952

21. Basic and diluted earnings per share attributable to shareholders of the Parent Company

There are no potential dilutive ordinary shares. Basic and diluted earnings per share is computed by dividing the profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	2019	2018
Profit for the year attributable to shareholders of the Parent Company	**1,627,888**	969,177
	Shares	Shares
Number of issued and fully paid-up shares	**229,166,200**	229,166,200
Less: weighted average number of treasury shares	**(504,148)**	(504,148)
Weighted average number of outstanding shares	**228,662,052**	228,662,052
	Fils	Fils
Basic and diluted earnings per share attributable to shareholders of the Parent Company	**7.12**	4.24

22. Operating revenue

Set out below is the disaggregation of the Group's major revenues.

	2019		
	Kuwait	**Neutral-zone**	**Total**
Type of services:			
Marine & oil contracting services	**122,848,636**	**6,636,782**	**129,485,418**
Timing of revenue recognition:			
Services transferred over time	**122,848,636**	**6,636,782**	**129,485,418**

	2018		
	Kuwait	Neutral-zone	Total
Type of services:			
Marine & oil contracting services	120,878,149	7,285,045	128,163,194
Timing of revenue recognition:			
Services transferred over time	120,878,149	7,285,045	128,163,194

23. Staff costs

Staff costs have been allocated as follows:

	2019	2018
Operating costs	**21,055,980**	22,698,119
General and administrative expenses	**2,943,440**	3,012,425
	23,999,420	25,710,544

24. Finance charges

Finance charges for the Group are allocated as follows:

	2019	2018
Due to banks	**15,416**	15,054
Term loans	**8,405,655**	8,679,799
Murabaha payable	**238,556**	226,624
Lease liabilities (Note 14)	**12,473**	-
	8,672,100	8,921,477

25. General assembly, proposed dividends and Board of Directors' remuneration

The Board of Directors' meeting held on April 15, 2020 proposed the following:

i) Distribute cash dividends of 5 fils per share amounting to KD 1,143,310.
ii) Not to distribute Board of Directors' remuneration for the financial year ended December 31, 2019.

These proposals are subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on May 6, 2019 approved:

i) The consolidated financial statements for the financial year ended December 31, 2018.
ii) The Board of Directors' proposal to distribute cash dividends of 5 fils per share amounting to KD 1,143,310.
iii) Not to distribute Board of Directors' remuneration for the financial year ended December 31, 2018.

The Shareholders' Annual General Assembly held on April 25, 2018 approved:

i) The consolidated financial statements for the financial year ended December 31, 2017.
ii) The Board of Directors' proposal to distribute cash dividends of 10 fils per share amounting to KD 2,286,620.
iii) To distribute Board of Directors' remuneration amounting to KD 102,000 for the financial year ended December 31, 2017.

26. Related party disclosures

The Group has entered into various transactions with related parties, i.e. Shareholders, Board of Directors, Key management personnel and Other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party balances and transactions are as follows:

	Other related parties	2019	2018
(i) Balances included in the consolidated statement of financial position:			
Accounts receivable and other debit balances	30,087,070	**30,087,070**	29,528,339
Advances from customers	15,749,425	**15,749,425**	27,509,562
(ii) Transactions included in the consolidated statement of profit or loss and other comprehensive income:			
Operating revenue	119,318,418	**119,318,418**	112,446,752
(iii) Key management compensation:			
Salaries and other short-term benefits		**888,586**	882,036
Terminal benefits		**85,433**	63,131
Committees' remuneration		**40,000**	30,000
		1,014,019	975,167

27. Contingent liabilities and capital commitments

	2019	2018
Contingent liabilities:		
Letters of guarantee	**110,780,345**	115,313,584
Letters of credit	**651,992**	3,783,589
	111,432,337	119,097,173
Capital commitments:		
Property, plant and equipment	**651,992**	3,783,589

28. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, time deposits, financial assets at FVTPL, receivables, financial assets at FVOCI, due to banks, term loans, Murabaha payable, lease liabilities and payables and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest-bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings.

Year	Increase / (Decrease) in interest rate	Balance on December 31 KD	Effect on consolidated statement of profit or loss KD
2019			
Due to banks	**± 0.5%**	**179,712**	**± (899)**
Term loans	**± 0.5%**	**254,279,518**	**± (1,271,398)**
2018			
Due to banks	± 0.5%	375,623	± (1,878)
Term loans	± 0.5%	208,027,723	± (1,040,139)

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, time deposits and receivables. Receivables are presented net of allowance for expected credit losses.

Trade receivables

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade and notes receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade and notes receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profile for sales or ageing profile of customers. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 720 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

Cash at banks, short-term bank deposits and time deposits

The Group's cash at banks, short-term bank deposit and time deposits measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash at banks, short-term bank deposits and term deposits are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, short-term bank deposit, time deposits and receivables.

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar. At present, the Group doesn't have significant expose to such risk.

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

The maturity profile of financial liabilities as at December 31, was as follows:

2019	**1 - 3 months**	**3 - 12 months**	**Over one year**	**Total**
Due to banks	-	**179,712**	-	**179,712**
Term loans	-	**35,259,530**	**219,019,988**	**254,279,518**
Murabaha payable	-	**6,750,000**	-	**6,750,000**
Lease liabilities	-	**74,330**	**206,552**	**280,882**
Accounts payable and other credit balances	**17,514,144**	**23,930,707**	-	**41,444,851**
Total	**17,514,144**	**66,194,279**	**219,226,540**	**302,934,963**
2018				
Due to banks	-	375,623	-	375,623
Term loans	-	37,044,889	170,982,834	208,027,723
Murabaha payable	-	5,874,000	-	5,874,000
Accounts payable and other credit balances	14,436,028	20,343,176	-	34,779,204
Total	14,436,028	63,637,688	170,982,834	249,056,550

e) Equity price risk

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as financial assets at FVTPL and financial assets at FVOCI. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio. The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure at December 31:

	2019			2018		
Market index	**Change in equity price %**	**Effect on other comprehensive income**	**Effect on consolidated statement of profit or loss**	Change in equity price %	Effect on other comprehensive income	Effect on consolidated statement of profit or loss
Boursa Kuwait	**± 5%**	**± 67,544**	**± 3,797**	± 5%	± 42,442	± 3,767

29. Fair value measurement

The Group measures its financial assets such as financial assets at FVTPL and financial assets at FVOCI at fair value at each reporting date.

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.

All financial instruments 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 measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at December 31:

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	**75,943**	**27,731**	**273,661**	**377,335**
Financial assets at FVOCI	**1,350,872**	**-**	**370,070**	**1,720,942**
Total	**1,426,815**	**27,731**	**643,731**	**2,098,277**

2018	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	75,345	38,566	247,086	360,997
Financial assets available for sale	848,830	-	427,448	1,276,278
Total	924,175	38,566	674,534	1,637,275

At December 31, the fair value of financial instruments approximates their carrying amounts. The management of the Group has assessed that fair value of the financial instruments approximates their carrying amounts largely due to the short-term maturities of these instruments.

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

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 the 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.

30. Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalent. Total capital is calculated as total 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2019	2018
Due to banks	**179,712**	375,623
Term loans	**254,279,518**	208,027,723
Murabaha payable	**6,750,000**	5,874,000
Lease liabilities	**280,882**	-
Less: cash and cash equivalents	**(20,861,416)**	(7,390,489)
Net debt	**240,628,696**	206,886,857
Total equity	**95,867,050**	94,886,818
Total capital resources	**336,495,746**	301,773,675
Gearing ratio	**71.51%**	68.56%

31. Working capital

The Group's current liabilities exceeded its current assets by KD 22,451,038 (2018: KD 41,117,600). The consolidated financial statements have been prepared assuming the Group will continue as a going concern, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The Group's ability to continue as a going concern depends on its ability to improve profitability and enhance its future cash flows.

During the year ended December 31, 2019, the bank facilities increased by the amount of KD 90,030,607 and also the Group paid KD 43,778,812 from its outstanding bank facilities.

In the opinion of the Group's management, the financial institutions will continue to provide and renew credit facilities due to the Group's asset quality and realized profits each financial year, in addition to the Group's ability to distribute annual cash dividends to the shareholders.

32. Subsequent significant events

The Coronavirus (COVID-19) outbreak ("the outbreak") since early 2020 has caused widespread disruptions to economic activities around the world, with a consequential negative impact on the business of the Group. The Group is closely monitoring the impact of the developments on its business, specifically the Group's expected credit loss estimates, determining the net realizable value of inventories, determining whether property, plant and equipment and investment property are impaired, and the Group's revenue volume. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects still unknown. Consequently, the impact on the Group cannot be reasonably quantified at the date of issuance of these consolidated financial statements.