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NATIONAL INDUSTRIES COMPANY KPSC

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Annual Report

2018

شركة الصناعات الوطنية ش.م.ك.ع

NATIONAL INDUSTRIES COMPANY KPSC

Annual Report

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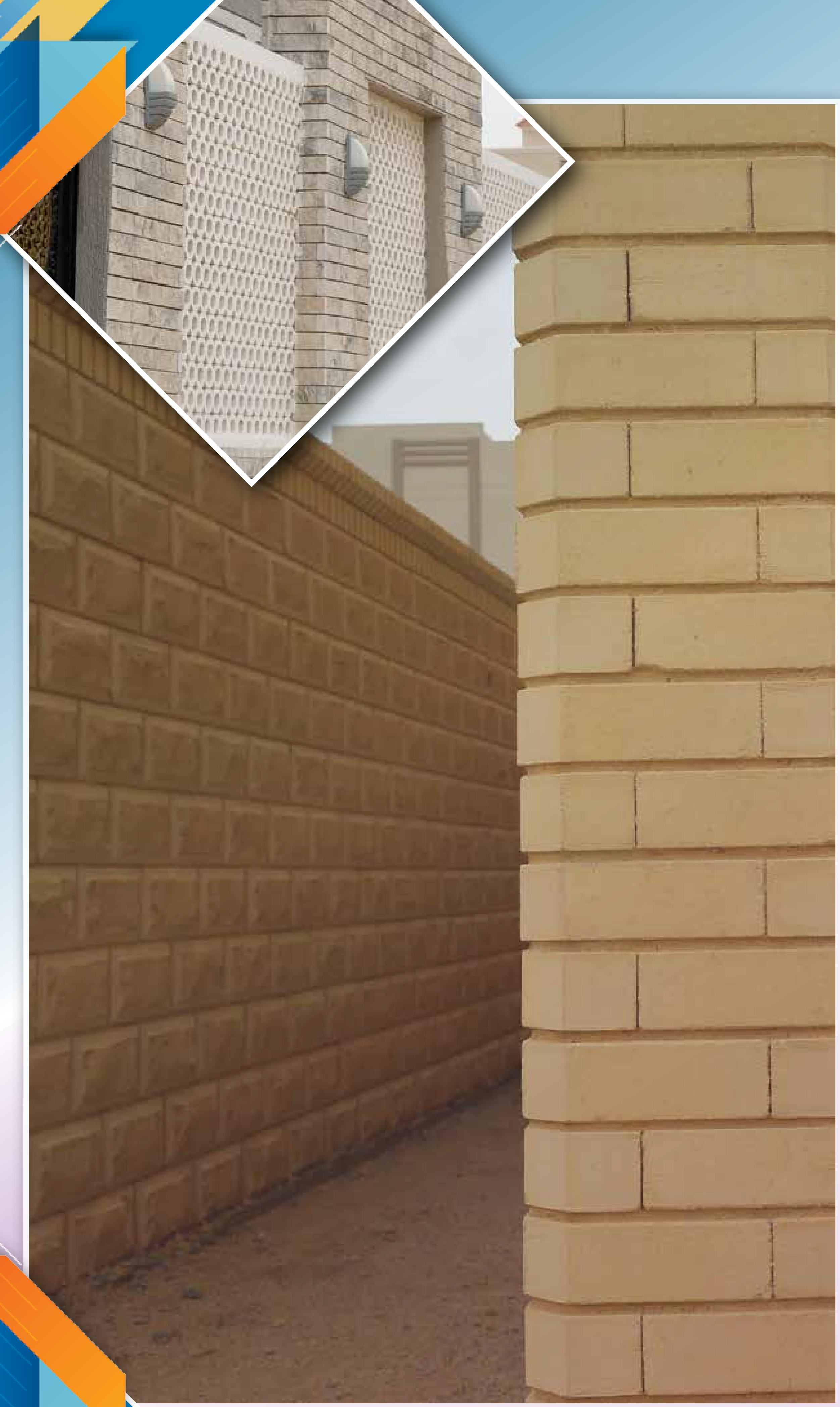
H.H.Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

H.H.Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince

H.H.Sheikh
Jaber Al-Mubarak Al-Hamad Al-Sabah
The Prime Minister



Contents


GLUE MORTA
NATIONAL INDUSTRIES
اللاصقة

Members of the Board of Directors

Mr. Abdulaziz Ibrahim Al-Rabiah	Chairman
Dr. Adel Khaled Al-Sabeeh	Vice Chairman and Executive President
Mr. Hamad Mohammed Abdullah Al-Saad	Director
Mr. Abdulrahman Shaikhan Al-Farisi	Director
Mr. Ahmad Mohammad Hassan	Director

General Manager

Eng. Lafi A. Al-Muhaini


الطرطشة

Chairman›s Message

Dear shareholders,

On behalf of the Board of Directors, Executive Management and myself, it would be our pleasure to welcome you herein to the Annual General Meeting, and we would like to present you the Annual Report of the company and its performance, and what was achieved during the fiscal year ended 31/12/2018.

National Industries Company has continued moving forward with successful steps based on the great efforts of the executive management in all its acpects, following the plans and directives of the Board of Directors.

Net Profit has been raised up by 3.77% in 2018 with an increment of 27% than 2017, as the sales have raised up by 17% to reach KD 52.92 million. Operational performance has also raised up to reach KD 8.7 Million with an increment of 7% comparing with the previous year, due to the increment of the sales of AAC blocks by 46%, Ready mix by 19%, Poly Ethilene by 127% and Plastics by 65%.

According to the results of this years performance, in the meeting held on 20/2/2019, the Board of Directors has recommended cash dividend of 10% (10 fils per share) for the financial year ended 31/12/2018.

In conclusion, I ask Almighty God that we have succeeded in developing the company’s assets and maximizing the shareholders’ equity and achieving the desired profits to help us in the upcoming years.

Abdulaziz Ibrahim Al-Rabiah
Chairman

Board of Directors Report - 2018

Net Profit of 2018 has reached KD 3.77 million with an increment of 27% than 2017 (KD 2.97 million), due to sales augmentation, which increased by 17% to become KD 52.92 million compared with 2017. (KD 45.14 million).

Operational performance also got boosted on 2018 to reach KD 8.7 million, with an incriment of 7% more than 2017 where it was 8.24 million, this incriment was due to the growth of the sales of Ready Mix Concrete by 19%, Interlock by 2%, AAC Blocks by 46%, HDPE by 127%, Plastic by 65%, Mortars b 8%.

Shareholders equities have reached K.D. 84 million with a carrying amount of 239 fils per share.

The following is a review of the Company's operational activity and the implemented and underway projects in 2018:

FIRST: SULAIBIA FACTORIES GROUP

Total sales in 2017 reached KD 20.95 million compared with KD 14.86 million in the past year, with an increment of 16% compared with the estimated sales in 2017.

Product	Sales 2018	Sales 2017	Ratio of sales of 2018 compared with 2017	
Ready Mix	16,055,657	13,478,297	19%	↑
Concrete Pipes	1,496,017	2,144,373	(30)%	↓
Interlock	2,969,529	3,053,078	(3)%	↓
Kerbstone & Cable Covers	1,236,805	1,257,805	(2)%	↓
Cement Blocks & Moulds	534,604	512,820	4 %	↑
Yard Tiles	529,779	503,144	5%	↑

SECOND: MINA ABDULLAH FACTORIES GROUP

Total sales reached KD 24.22 million compared with KD 18.5 million in 2017, with an increment of 29% than the actual sales of 2017, and a drop of 2% than the estimated sales in 2018.

Product	Sales 2018	Sales 2017	Ratio of sales of 2018 compared with 2017
Dehydrated Lime	1,478,548	1,630,684	(9)%
Hydrated Lime	87,643	126,611	(31)%
Limestone	1,714,219	1,855,643	(8)%
Quarry	164,477	223,703	(26)%
Filler - Dolomite	1,017,363	760,879	34%
White Blocks (A.A.C.)	6,831,672	4,642,416	47%
Lintels	422,309	310,744	36%
Mortar	460,434	402,315	14%
Tile Adhesive - Roof Coating	841,626	842,904	(0,2)%
Cladding	1,444,702	1,303,587	11%
Plastic Pipes (PVC)	2,154,632	1,308,031	65%
HDPE Pipes	4,745,815	2,090,422	127%
Paints	652,074	867,629	(25)%
Internal Sales Cluncker, Dehydrated Lime, Hydrated Lime, Filler	1,379,017	1,670,118	(17)%

THIRD: MOST SIGNIFICANT PROJECTS COMPLETED IN 2018

Sulaibiya Factories Group:

1. Ready Mix fleet was increased as follow:
   - 10 mixers capacity of 12 m^3 were purchased
   - 6 concrete pumps were purchased
   - 544,000 m^3 of Ready Mix Concrete were supplied by the plants and the local stations.
2. The Cladding Tiles Plant was installed and testing operation started at the end of December 2018.
3. Concrete Channels and Covers were provided to the Electricity Station projects by the Concrete Plant, expected record quantities requests for the projects of Mitlaa city by mid-2019.
4. Special programs were developed on Advantech systems to process the documents based on the production lines and to prepare the system on the Mika station as an experiment before it is based on all stations.

Mina Abdullah Factories Group:

1. Supplying a record quantities of HDPE pipes to Al-Mitlaa City, and implementing 75% of the total order.
2. Increasing the sales of AAC bricks were sold by 40% over 2017.
3. Sales of Reinforced Lentils were increased by 35% over 2017.
4. Purchasing HDPE production line no. 5, expected to arrive during the second quarter of 2019.
5. HDPE Manholes were approved by the Civil Aviation (All quantities required were supplied and approved by the Ministry of Defense).

FOURTH: THE MOST IMPORTANT PROJECTS BEING IMPLEMENTED

Sulaibiya Factories Group:

1. Development of (MAZA) piston of tiles to achieve increment for the production capacity.
2. Manufacturing of padded HDPE concrete pipes in cooperation with Mina Abdullah factories.
3. Installation of a new mixing plant in Al-Sulaibiya for the reserves of Al-Mutlaa residential city.
4. New products of Sulaibiya factories for 2019:
   a. Cladding Panels Factory Products:
      - Low-thickness tiles (marble breakers) 30x30, 40x40 and 30x60 cm with thicknesses between 1.5 - 3 cm
      - External Cladding products 60x30 and 40x80 cm with thicknesses between 1.5 - 3 cm.
      - Stairs Lintels 135x37x35 cm.

   B. Production Line No.(3) of Pinar company, for tiles production 40x40x6.5 cm with one or two smoothed layers (broken marble or aggregates).

   C. Water Drainage Kerbstone (as requested by the Ministry of Public Works) and approved projects.

Mina Abdullah Factories Group:

1. New line for profile pipes was installed in the polyethylene plant.

2. Adding a new production line to the Plastic Factory, and expansion of PVC store.

3. Expansion of the Cladding and Mortar Factory in order to increase the production capacity by 50%.

4. Increasing the production capacity of the Lentils Plant by 50% and expanding theAAC Blocks Factory in order to increase the production capacity of interlocking bricks by 500 m^3.

5. Development of the Limestone Bricks pistons.

6. Develop the current Decoration Bricks piston.

7. New products of Mina Abdullah factories for 2019:

   - HDPE Manholes (for rainwater drainage).
   - HDPE padded concrete Manholes for sewage.
   - HDPE padded concrete pipes.
   - HDPE cableducts.
   - Polymer manhole covers.
   - Ready made Limestone Fencing Bricks.
   - Limestone Bricks Cladding without mortar.

FIFTH: INFORMATION TECHNOLOGY

In order to improve customer services work and to raise the efficiency of performance, 2018 was distinguished by qualitative shift of information systems through operating and qualifying the documentary course of the company's work to the developed system of ORACLE on CLOUD environment, which started in April 2018.

This included the completion and development of the documentary course of the systems of Human Resource, Administrative Affairs, Financial Affairs, all sorts of Warehouse Management, Procurement, Manufacturing and Production Management of eleven factories, These systems allow to benefit from the expertise of international companies in management and manufacturing.

This step ensures the sustainability and improvement of work procedures automatically by global expertise without a need to develop automated programs or purchasing or developming of computers.

Main projects under implementation:

Benefit of this new information system is in the following aspects:

1. Financial system
2. Production system
3. Sales system
4. Administrative Affairs System

SIXTH: FINANCIAL MANAGEMENT

1. Preparation and affirming of the Manual of Policies and Procedures for the Financial Management (Accounting - Costs - Collection and Credit).
2. Providing periodic reports with detailed analysis of administrative and marketing expenses in order to assist the executive management to take the appropriate decisions
3. Providing a periodic report and analyzing of the data of the sister and affiliated companies, and informing the Executive Directorate about strengths, weaknesses and risk indicators
4. Providing analytical reports about the performance of factories and the reasons of profits and loss to the Board of Directors to take the appropriate decission.
5. Developing of the new costing system and preparating actual costing lists to help with pricing and making the statement of profitability and loss of the actual products
6. Conducting workshops for the finance staff in oder to develop their performance and exchange experiences.
7. Responding to the requirements of the company's managements and providing them with the required financial data that increases their productive efficiency.

SEVENTH: AFFILIATED & SISTER COMPANIES

A. Subsidiaries:

1. Building Industries Industries Company

(Kuwait - 100% ownership)

- Established on 15/6/2004 to be the executive arm of a company for construction projects, Financial results for the fiscal year 2018 showed a loss of KD 434,474 for a loss of KD 70,119 in 2017, The total shareholders' equity of the company amounted to KD 489,114 with a capital of KD 500,000.

2. National Industries Company for Ceramics

(Kuwait - ownership 86.4% of the capital of KD 15 million).

- The company suffered a loss of KD 925 thousand in 2018 compared with a loss of KD 671 thousand in 2017.
- The company's products have been approved by all ministries of Kuwait.
- The company's products are included in the construction materials supported for housing applicants.

3. Saudi Company for brick insulation

(Riyadh & Jeddah, Kingdom of Saudi Arabia - Ownership 50% of the capital of SAR 100 million)

- The Company suffered an operating loss of SAR 1.23 million in 2018 compared to SAR 3.48 million in 2017.
- Sales have dropped to SAR 12.9 million in 2018 compared to SAR 20.4 million in 2017.
- Shareholders' equities have dropped to SAR 88.2 million in 2018 compared to SAR 89.4 million for the previous year.
- The company's products have been endorsed as a demanded products for insulating in all the constructions in the Kingdom by implementing the compulsory buildings insulation decree.

B) Associates:

1. Insulation Building Systems Factory Co.

(Manama / Bahrain - NIC Ownership 50%, Capital of BHD 4 million).

- The company achieved a profit of BHD 42,000 in 2018 against a profit of BHD 169 thousand in 2017.

2- Omani German Company for Building Materials & Industrial Construction Co.

(Sohar Cement Company - Sultanate of Oman - NIC Ownership 33,662%, Capital of OMR 3.55 million).

- The company sustained a loss of OMR 577 thousand in 2018 for a loss of OMR 810 thousand in 2017. The cumulative losses for the end of 2018 have amounted to OMR 3.86 million.

3 - United Gulf Pipe Manufacturing Company

(Muscat / Sultanate of Oman - NIC Ownership 45%, Ccapital of OMR 4.5 million)

- All production lines have been operated.
- The company is working on marketing its products in all GCC states.
- The Company sustained a loss of OMR 865 thousand in 2018 against a loss of OMR 1,828 thousand in 2017.
- The company currently has enough contracts to cover its production capacity for 2019, which promis with a good new fiscal year, God willing.

4- Al-Raya Global Real Estate Company

(Kuwait - NIC Ownership 25.3%, Capital of KD 1.6 million).

- The company achieved profits of KD 39 thousand for the fiscal year ended in 2018 according to the financial statements provided by its management against profits of KD 105 thousand in 2017.
- The company reduced its capital during 2018 from KD 5.35 million to KD 1.6 million by distributing KD 3.75 million to shareholders in cash.

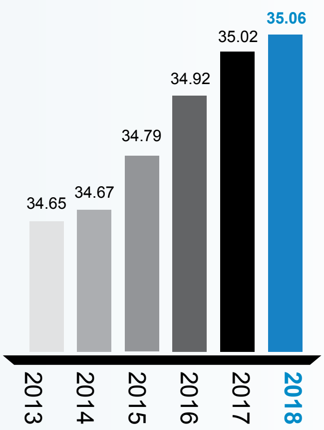
5 - Saudi Sand Lime Bricks & Building Materials Co.

(Riyadh / Saudi Arabia - NIC Ownership 10%)

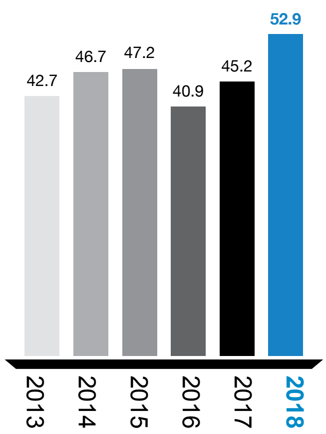
- The company achieved a net profit of SAR 19.5 million in 2018.
- The company has completed its production expansion programs, and all furnaces are being operated efficiently.
- The company is looking forward to get listed in the stock market within the next three years.

NIC Financial Performance (2013 – 2018)

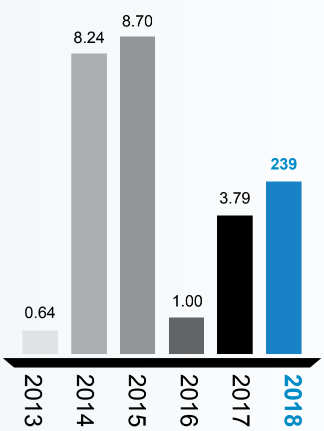
Item	2018	2017	2016	2015	2014	2013
Capital	35,058,421	35,021,251	34,924,657	34,793,545	34,675,783	34,650,792
Sales	52,923,210	45,141,856	40,997,520	47,189,831	46,670,326	42,771,211
Invested Assets	112,032,229	113,738,560	112,912,802	113,762,317	110,948,379	107,031,522
Shareholders' Equity	83,957,502	84,996,627	85,191,489	89,813,657	89,345,010	80,337,826
Net Profit	3,969,302	3,223,553	773,927	7,787,570	7,359,730	512,572
Dividend	11,33	9,189	2,218	22.30	21.14	1.48
Book Value	239	243	224	258	258	232
Return on Equity	4,73%	3,79%	1%	8.7%	8.24%	0.64%
Dist. Profit Cash		8	10	20	15	-
Dist. Profit Bonus		-	-	-	-	-



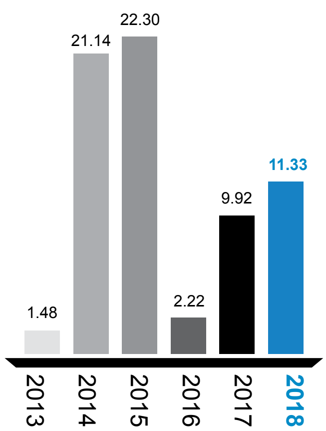
Capital *(KD million)*



Sales *(KD million)*

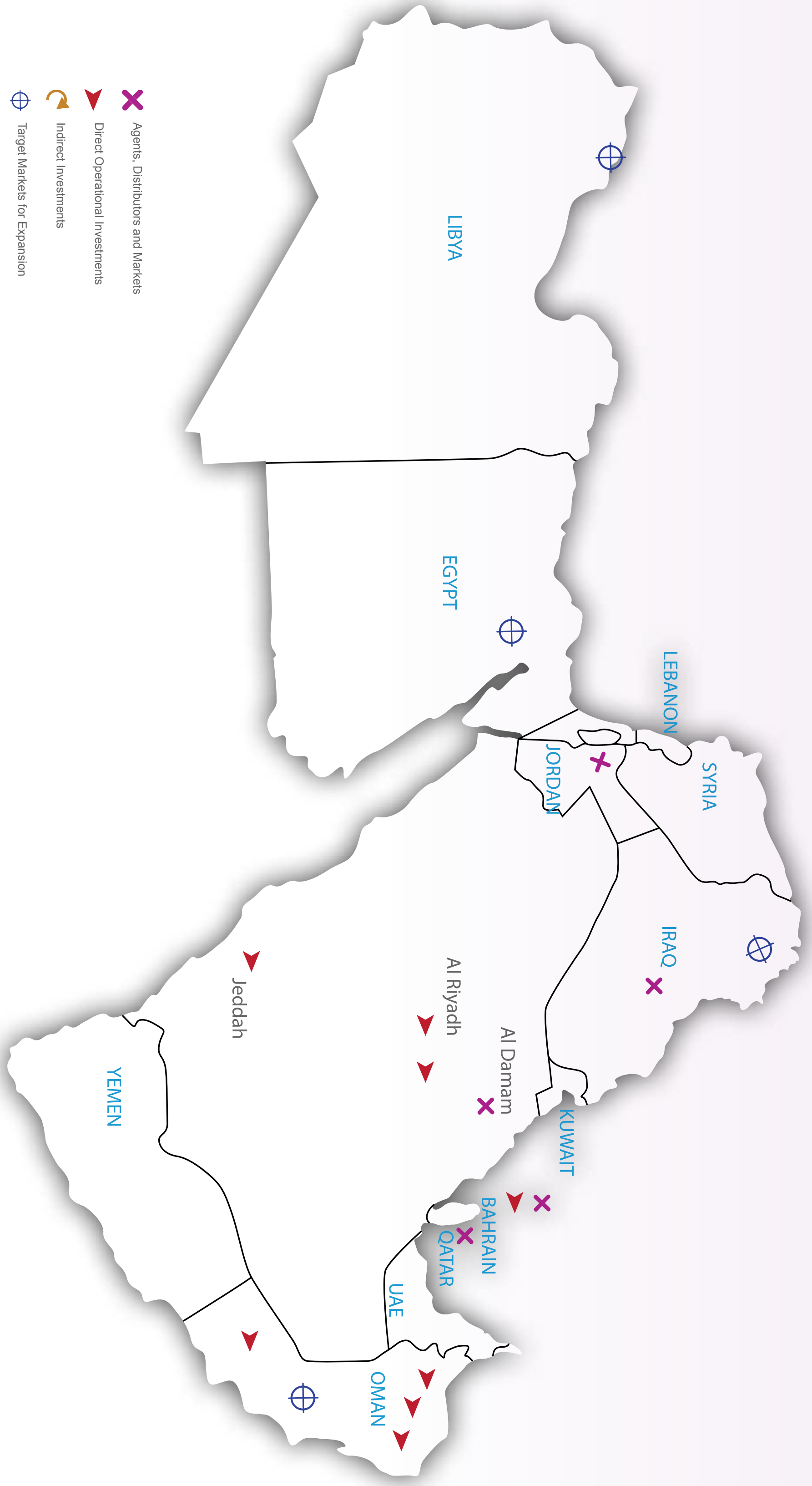


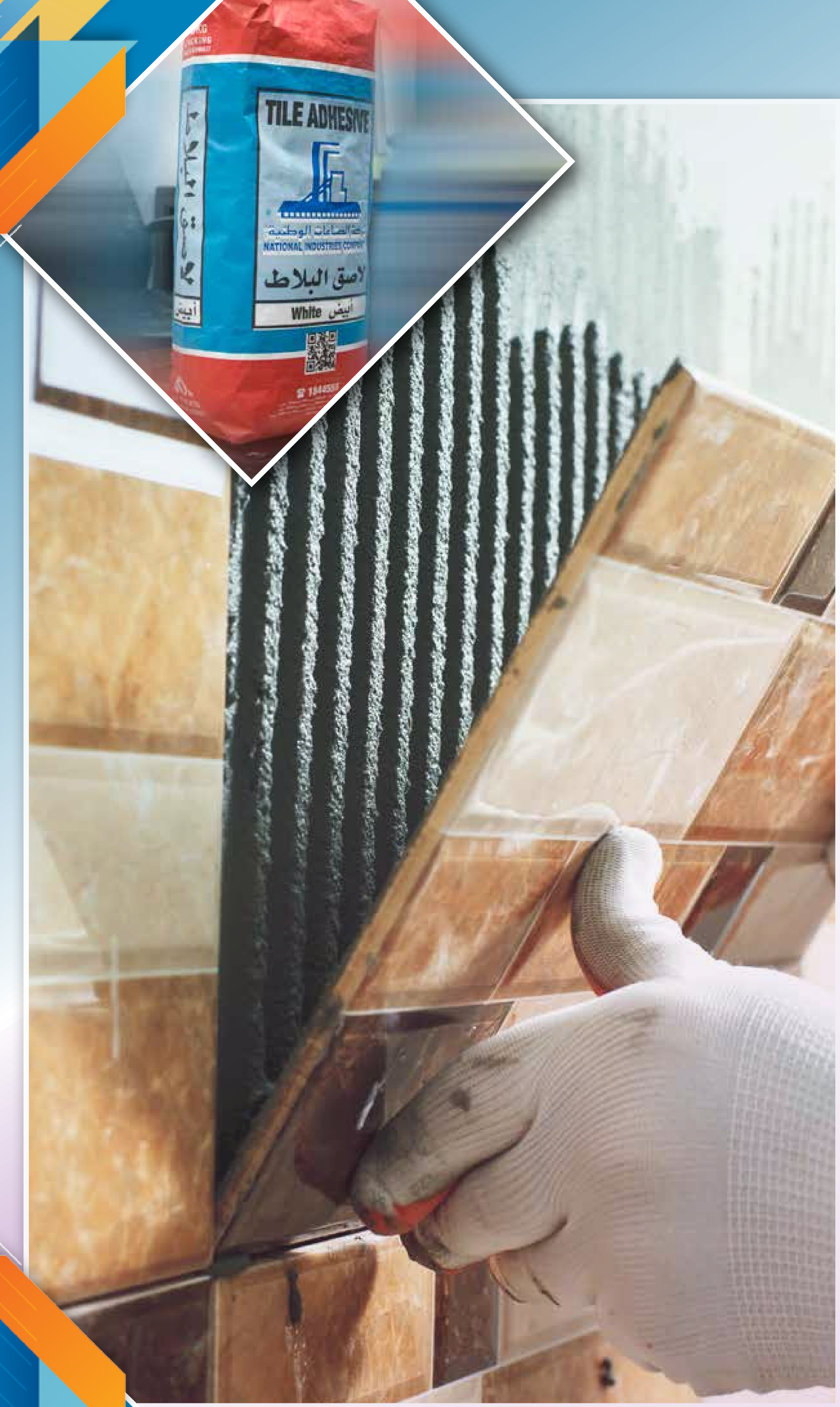
Return on Equity *(%)*



Dividend *(fils)*

Company’s Regional Investments & Distributors

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NATIONAL INDUSTRIES COMPANY
لاصق البلاط
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Governance 2018

The National Industries Company (KSC) keens to keep implementing the principles of governance, which enhances the level of trust and confidence of its shareholders in their investments, and helps the investor to make his investment decision, taking into account the other basic standards of investment. The implementation of the governance creates a sound working environment which enables the company to achieve better performance, enhancing transparency and control, and to ensure the integrity and neutrality of all its employees.

Board of Directors Structure

Member	Position	Qualifications and Experience	Date of election / appointment of the Secretary
Mr. Abdulaziz Ibrahim Al-Rabiah	Chairman (Non-Executive)	Bachelors Degree	21/4/2016
Dr. Adel Khaled Al Subeih	Deputy Chairman and Managing Director (Executive)	Ph.D.	21/4/2016
Mr. Ahmad Mohammad Hassan	Director (Non-Executive)	Bachelors Degree	21/4/2016
Mr. Hamad Mohammed Al-Saad	Director (Non-Executive)	Bachelors Degree	21/4/2016
Mr. Abdullrahman Shaikhan Al-Farisi	Director (Independent)	Bachelors Degree	21/4/2016
Mr. Hani M. El-Sherbini	Board Secretary	Bachelors Degree	21/4/2016

Board of Directors meetings in 2018:

Member	Meeting 1 dated in 8/3/2018	Meeting 2 dated in 14/5/2018	Meeting 3 dated in 17/7/2018	Meeting 4 dated in 30/7/2018	Meeting 5 dated in 6/11/2018	Meeting 6 dated in 12/12/2018	Number of meetings held
Mr. Abdulaziz Ibrahim Al-Rabiah (Chairman)	✓	✓	✓	✓	✓	✓	6
Dr. Adel Khaled Al Subeih (Deputy Chairman)	✓	✓	✓	✓	✓	✓	6
Mr. Abdullrahman Shaikhan Al-Farisi (Independent Director)	✓	✗	✓	✓	✓	✓	6
Mr. Ahmad Mohammad Hassan (Director)	✓	✓	✓	✓	✗	✓	5
Mr. Hamad Mohammed Al-Saad (Director)	✓	✓	✗	✗	✓	✓	4
Mr. Hani M. El-Sherbini (Board Secretary)	✓	✓	✗	✗	✓	✓	4

Record, coordinate and save minutes of meetings of the Board of Directors.

- The Secretary of the Board of Directors has to record, coordinate and keep all the minutes of the meetings and its records and reports submitted to and from the Board.
- Records have to be arranged sequentially and the place and date of the meeting have to be specified.
- The Secretary of the Board of Directors has signs the minutes of meetings by himself and all the members present
- Minutes of the meeting are saved in two copies, a hard copy and a soft copy

Board of Directors Duties and Achievements:

- The Board of Directors takes full responsibility for the Company, including the development of the Company's strategic plan and the interim objectives, beside the supervision of its implementation and follow-up.
- Discussing and conferming the estimated budget, beside the interim and annual financial statements of the Company.
- Developing and confirming the company's annual plan.
- The Board of Directors oversees the Executive Management of the Company, including the Chief Executive Officer.
- The Board of Directors has appointed an Executive Chairman, with technical competence and expertise.
- The Board of Directors has clearly separated the function of the Chairman of the Board and the Chief Executive Officer, so as not to affect the independence of the decisions taken by either of them.
- The Board of Directors supervises and controls the executive management of the company and ensures that it performs the tasks and duties assigned to it in accordance with the policies adopted by the Board of Directors in order to achieve the objectives and goals of the company.
- Forming committees emanating from the Board of Directors and determining the duration, powers and responsibilities of these committees.
- Following up the progress of work periodically through conducting periodic meetings with the executive management of the company.
- Supervising the implementation of administrative and financial regulations and ensuring proper application thereof

Internal Audit and Risk Management Committee

- Committee members:

Mr. Ahmad Mohammed Hassan	Committee Head
Mr. Abdullrahman Shaikhan Al-Farisi	Member
Mr. Hamad Mohammad Al-Saad	Member

- The committee has held 4 meetings in 2018
- Quorum is completed by the attendance of two members.
- Membership in the committee is valid either for 3 years, or until the entitlement of the board elections, which is first.

Functions and achievements of the Internal Audit and Risk Management Committee:

1. Reviewing the periodic financial statements before submitting them to the Board of Directors.
2. Recommending the appointment, reappointment or change of external auditors, determining their fees, and then follow up their work and study their observations on the company's financial statements.
3. Discussing the accounting policy of the company.
4. Evaluating the adequacy of the internal control systems applied in the company.
5. Technical supervision of the Internal Audit Department and recommending the appointment and removal of the Audit Manager.
6. Auditing and confirming the proposed audit plans, and checking the results of the internal audit reports.
7. Ensuring that the company complies with laws, policies and regulations.
8. Preparing and checking the risk management strategies and policies.
9. Ensuring the availability of resources and systems for risk management.

10. Evaluate systems and mechanisms for identifying, measuring and monitoring the risks that may be exposed to the company.
11. Assisting the Board of Directors in identifying and evaluating the acceptable level of risk in the Company.
12. Review the organizational structure of risk management.
13. Ensure the independence of risk management personnel and ensure that they are fully aware of the risks surrounding the company.
14. Prepare periodic reports on the nature of the risks that may be exposed to the company.

The rights of board members to access information

All available information to be discussed at any meeting of the Board of Directors shall be delivered within 3 working days of the meeting.

The Board member shall have sufficient time to study and discuss the topics on the agenda of the meeting.

The board member is entitled to access the relevant and reliable information and is entitled to obtain such information from the company, including direct dealings with the company's stakeholders.

Tasks and achievements of Nominations and Remuneration Committee

- Recommending acceptance of nomination and re-nomination for membership of the Board of Directors + Committees emanating from the Board + Executive Management.
- Performing the annual review of the appropriate skills requirements for Board membership.
- Attracting applicants to hold executive positions in the company.
- Developing a functional description of the executive members, the non-executive members, and the independent members.
- Proposing the nomination of independent members and re-nominating them for election by the General Assembly and ensuring that the independent member is still independent.
- Arranging the policy of the remuneration of the Board of Directors and the Senior Executives.
- Defining the bonus segments for the company's employees.
- Performing an Annual review of the award policy.
- Preparing an annual report on the remuneration of the directors and executive managementt, to be presented to the general assembly of the company.

Report of the remuneration granted to the members of the Board of Directors and Executive Management

- The total remuneration of the Directors achieved KD 150,000 for the fiscal year ended 31/12/2018 and subject to the approval of the General Assembly of the company.

- During 2018, the company distributed 569,809 shares to the executive management of the company as bonuses according to the rules of the employee share program by granting the shares of the headquarters from the general assembly of the company.

Ensuring the integrity of the Financial Reports

The Board of Directors ensures the integrity of the financial reports by ensuring the independence and integrity of the external auditor, and the presence of an internal audit unit that prepares and reports to the Board through the Risk and Audit Committee, as well as sound and effective Risk Management and control systems.

Risk Management and Internal Control

- The Board of Directors works on strengthening the Internal Control of the company in order to provide the necessary protection against any internal or external risks.
- The Risk Unit of the Company, in coordination with the Internal Audit and Risk Management Committee of the Board, verifies the adequacy and effectiveness of the Company's Internal Control systems.
- The Company has commissioned an independent auditing company in accordance with the requirements of the Capital Market Authority, The observations accomplished in the Internal Control examination and evaluation do not materially affect the financial statements of the year ended 31/12/2018.

Professional Behavior and Ethical Values

- The company is committed to establishing the standards of professional conducts that all employees have to be committed with in all transactions and in every location where they perform their work.
- In case of any suspicion of non-compliance with the Code of Ethics, the Company encourages the culture of immediate reporting to the Competent Authority, and ensures that no action of any kind is taken against any person as a result of his or her concerns about legal or regular irregularities take place.
- The Board of Directors has approved (The policies and procedures of interest conflicts guide) to avoid any kind of interest conflicts, the Board of Directors and Executive Management with all the employees have to be committed to adopt all the guides staff sufficiently.
- Board of Directors members have to disclose any conflict of interest occurs.
- Board of Directors members must obtain the approval of the General Assembly of the Company prior to having a direct or indirect interest in the contracts and acts concluded with or for the company in accordance with the laws and regulations.

Disclosure and Transparency

- The Company is committed to accurate disclosure at the specified times in order to protect investors and increase their trust in it.
- Disclosure should be announced through the website of KSE and the one of the company.
- The company confirms the right of stakeholders to the information available and issued by the company through the printed annual reports distributed to the shareholders before the General Assembly, as well as posted on the company's website.
- Members of the Board of Directors and the Executive Management of the company are committed to disclose in a special register prepared for this purpose.
- Members of the Board of Directors and the Executive Management of the company are fully committed to complete confidentiality of all the company's business and activities.
- The company's investor affairs unit, in turn, serves as a main contact point with existing shareholders and potential investors and provides the necessary data and information to them.

Respect for Shareholders' Rights

- The Board of Directors keens to maintain the rights of the shareholders to participate actively in the decisions taken by the company, such as their right of attending the General Assemblies, the right to discuss matters before the Assembly, the right to vote on General Assembly resolutions, the right to elect or abstain members of the Board of Directors, The right to accept or refuse resolutions of the General Assembly as well as the right of supervision on the management of the company, such as the right of discussing subjects on the agenda, and enquiries to the Board of Director members and to the auditor.
- The company keens to distribute the return on the shares during the legal period for distribution in coordination with the Kuwait Clearing Company.
- The company has initiated the establishment of a database for shareholders, and annually sends invitation cards to attend the General Assembly meetings through the e-mail of its registered shareholders, encouraging shareholders to participate and vote in the meetings of the General Assembly.

Rights of Stakeholders

- The protection of stakeholders rights is being performed under laws provide them with the opportunity to obtain actual compensation in case of any violation occurs.
- The company is committed to respect and protect the rights of stakeholders according to the laws in force in the State of Kuwait, such as labor law and corporate law and its executive regulations, as well as the contracts between the parties.

Enhancement and Improvement in Performance

- The Board of Directors and the Executive Management are devoted to continuous training and participating in conferences and siminars in order to improve their skills and expertise in the fields of the company's business and activities.
- The company works on preparing an annual training plan for its employees, can be local or abroad, in coordination with the local bodies (KFAC and other authorities), as well as having its concerned staff to attend the workshops arranged by Kuwait Stock Market.
- The Nomination and Remuneration Committee of the Board of Directors conducts an annual evaluation for the performance of the Board as a whole and the performance of each member individually.

Social Responsibility

- The Company has arranged a national initiative to support and encourage citizens to use LED energy-saving lighting systems wich delivers worthy savings for the citizens and nation.
- In order to achieve its goal, The Company displayed LED bulbs in all its showrooms for reasonable charge below the market prices in order to reduce its cost.
- The company provides a specific support to the government schools, kindergartens and charities.
- The Company worked on facilitating the educational school trips by accepting students to visit its factories and departments.
- The company had received students from the Public Authority for Applied Education and Training, where they underwent training in its factories and departments. as the company looks for attracting the outstanding students in order to join it after their graduation.
- The company supports graduation projects related to its field of work, and receives students to conduct studies and master's thesis on the its business and activities.

Internal Audit Committee's Report 2018

Head of the Committee's Message

As the National Industries Company (K.P.S.C) is abided to the law No. 7/2010 of establishing the Capital Market Authority and abided to its executive regulation and amendments, and to what is stated in chapter 15 of the Capital Market Authority Executive Regulation (companies governing), the National Industries Company has developed the internal audit committee as one of the committees emerging from the board of directors of which its role is basically to help board of directors; perform its responsibilities related to the safety of the interim and the annual financial statement, follow up the performance of the external auditors, control the professional performance of the internal audit and check whether the moral standards followed by the company are applicable according to the monitoring requirements in this respect.

Forming a Committee for Internal Auditing

By virtue of decree No. 13/2016 issued by board of directors, the board formed a committee for the internal audit as per the following.

Mr. Ahmad Mohammed Hassan	Committee Head
Mr. Abdullrahman Shaikhan Al-Farisi	Member
Mr. Hamad Mohammad Al-Saad	Member

The committee conducted 4 meetings during 2018 as shown hereunder:

Name of member	Meeting (1) held in 8/3/2018	Meeting (2) held in 14/5/2018	Meeting (3) held in 30/7/2018	Meeting (4) held in 6/11/2018	Number of meetings
Mr. Ahmad Mohammed Hassan Committee Head	✓	✓	✓	✗	3
Mr. Abdul Rahman Shikhan El Farisi Member	✗	✓	✓	✓	4
Mr. Hammad Mohammed El Saad Member	✓	✓	✗	✓	3

It is of our pleasure to present herein the report that states the achievements of the committee during the financial year ended in 31/12/2018 detailed as the following:

Tasks and specialties of the internal audit and risk management committee:

1. Review the periodic financial statements before being presented to board of directors.
2. Recommend appointing / re-appointing or changing the external auditors, fix their law fees and then follow up their works and study their notes on the company's financial lists.
3. Study the company's accounting policies.
4. Assess the efficiency of the internal controlling systems applied in the company.
5. Supervise technically on the internal audit management and recommend assigning/isolating the auditing manager.
6. Review and acknowledge the proposed auditing plans and review the outcomes of the internal auditing reports.
7. Check the company commitment to the regulations, policies and systems.
8. Develop and review the risk management strategies and policies.
9. Assure the availability of the risk management resources and systems.
10. Assess the systems and mechanism that define, measures and track the risks that the company could be exposed to.
11. Assist board of directors in defining and assessing the acceptable level of risks in the company.
12. Review the organizational structure of the risk management.
13. Check the independency of the risk management staff and make sure that they are fully familiar with the risks surrounding the company.
14. Prepare periodical reports about the nature of the risks that the company could be exposed to.

Achievements of the Internal Audit and Risk Management Committee

1. Reviewing and approving the interim and annual financial statements:

   The committee reviewed the interim and annual financial statements of the company as well as the reports done by the auditors before being submitted to board of directors.
2. Discussing and approving the estimated budget of the company for 2018:

   The committee has discussed the estimated budget of the company and submitted it to the Board of Directors.
3. Recommendation of appointing an external auditor:

   The Internal Audit and Risk Mmanagement Committee recommended to Board of Directors reassigning Mr. Anwar Yousef Issa Al Katami from (Grant Thornton – Al Katami-Al Abaan & partners as the company auditor for the year 2019.

Head of the Committee
Ahmad M. Hassan

أصباغ الصناعات
NIC PAINTS
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Consolidated Financial Statements and Independent Auditor's Report

National Industries Company - KPSC
and Subsidiaries - KUWAIT
31 December 2018

Contents

Grant Thornton
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Independent Auditor's Report

To the Shareholders of
National Industries Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Company - KPSC ("Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

Revenue is measured based on the Group expected consideration to be realized as per contract with the customer. The Group recognizes revenue when it transfers control of a product or service to a customer. The Group follows a five step procedures to recognize revenue as disclosed in the accounting policy related to revenue recognition (note 3.1). This is an area of audit focus as management assumptions are required to apply the revenue recognition criteria to each separately identifiable component of revenue. This can result in circumstances which require careful consideration to determine how revenue should be recognized.

Our audit procedures included testing the operating effectiveness of associated internal controls and performing substantive audit procedures.

We performed analytical reviews and reviewed management accounts to identify any material new revenue streams. Our testing procedures included reviewing customer contracts, checking delivery records and price lists, and checking that the recognition criteria of IFRS were met. We also assessed the adequacy of the Group's disclosures of its revenue recognition policy, the judgements involved and other related disclosures.

The Group's disclosures about revenue recognition are included in Note 7.

Revenue by segment is disclosed in Note 26.

Accounts receivable and other assets

The Group has significant trade receivables with customers and given the nature of the Group's customers, the risk of those customer insolvency remains significant.

Our audit procedures included testing the Group's internal control prcedures over the receivables' collection processes, and testing the adequacy of the Group's provisions against trade receivables by challenging the relevant assumptions, taking account of our own knowledge of recent collections experience in this industry and also historical data from the Group's previous collections experience and factors which used to measure the expected credit losses. We have also considered the adequacy of the Group's disclosures in this area.

The Group's disclosures about its accounts receivable and other assets are included in Note 18.

Valuation of Unquoted investments at fair value through OCI

The Group's investments in unquoted investments at fair value through OCI financial assets represent 21% of the total assets. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement uncertainty involved in this valuation. As a result, the valuation of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its available for sale financial assets are included in Note 14.

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information included in the Group Annual Report for the year ended 31 December 2018

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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

Report on Other Legal and Regulatory Requirements

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, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton
Al-Qatami, Al-Aiban & Partners

Kuwait
20 February 2019

Consolidated Statement of Profit or Loss

	Notes	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Revenue			
Revenue from sales and contacts with customers	7	52,923,210	45,141,856
Cost of sales and contacts with customers		(44,270,024)	(36,899,995)
Gross profit		8,653,186	8,241,861
Other operating income	8	1,391,204	486,310
Investment income	9	784,494	817,353
Share of results of associates	12	(309,348)	(805,417)
Bargain purchase on acquisition of additional shares of an associate	12	-	182,023
Foreign exchange gain /(loss)		1,677	(13,087)
		10,521,213	8,909,043
Expenses and other changes			
Distribution expenses		(2,653,849)	(2,325,275)
General, administrative and other expenses		(3,771,130)	(4,269,928)
Finance costs		(2,430)	(2,352)
Impairment loss in value of investments in associates	12	(63,464)	-
Reversal of provision for land filling expenses	24	-	416,000
(Charge) / reversal of provision for slow moving inventories	16	(46,468)	46,468
Reversal of provision for doubtful debts - net	18	130,751	466,019
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		4,114,623	3,239,975
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(37,200)	(29,863)
Provision for National Labour Support Tax (NLST)		(110,615)	(78,255)
Provision for Zakat		(43,983)	(30,542)
Provision for Directors' remuneration		(150,000)	(130,000)
Profit for the year		3,772,825	2,971,315
Attributable to :			
Owners of the Parent Company		3,969,302	3,223,553
Non-controlling interests		(196,477)	(252,238)
Profit for the year		3,772,825	2,971,315
Basic earnings per share attributable to the owners of the Parent Company	10	11.37 Fils	9.22 Fils
Diluted earnings per share attributable to the owners of the Parent Company	10	11.33 Fils	9.19 Fils

The notes set out on pages 38 to 80 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Profit for the year	**3,772,825**	2,971,315
Other comprehensive (loss)/income:		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	**-**	(367,323)
- Transferred to consolidated statement of profit or loss on sale	**-**	478,509
Exchange differences from translation of foreign operations	**(6,045)**	(138,357)
Share of other comprehensive loss of associates	**(5,464)**	(5,743)
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Equity investments at fair value through other comprehensive income:		
Net change in fair value during this year	**(2,210,230)**	-
Total other comprehensive loss	**(2,221,739)**	(32,914)
Total comprehensive income for the year	**1,551,086**	2,938,401
Total comprehensive income /(loss) attributable to:		
Owners of the Parent Company	**1,731,420**	3,240,804
Non-controlling interests	**(180,334)**	(302,403)
	1,551,086	2,938,401

The notes set out on pages 38 to 80 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	31 Dec.2018 KD	31 Dec. 2017 KD
Assets			
Non-current assets			
Property, plant and equipment	11	31,026,939	28,495,498
Investment in associates	12	2,930,964	4,241,413
Available for sale investments	13	-	35,523,738
Investments at fair value through other comprehensive income	14	28,312,390	-
Murabha investment	15	4,983,553	-
		67,253,846	68,260,649
Current assets			
Inventories and spare parts	16	21,920,312	20,781,781
Investments at fair value through profit or loss	17	2,303,268	2,166,848
Accounts receivable and other assets	18	13,244,559	12,980,249
Fixed deposits	19	1,550,676	2,191,309
Cash and bank balances		5,759,568	7,357,724
		44,778,383	45,477,911
Total assets		112,032,229	113,738,560
Equity and liabilities			
Equity			
Share capital	20	35,058,421	35,021,251
Share premium	20	32,529,213	32,486,359
Treasury shares	21	(399,573)	(249,009)
Legal reserve	22	5,517,504	5,086,394
Voluntary reserve	22	587,853	440,984
Treasury shares reserve		1,939	24
Staff bonus shares reserve		286,922	179,490
Other components of equity	23	7,268,141	9,506,023
Retained earnings		3,107,082	2,525,111
Total equity attributable to the owners of the Parent Company		83,957,502	84,996,627
Non-controlling interests	6	4,983,379	5,164,032
Total equity		88,940,881	90,160,659
Liabilities			
Non-current liabilities			
Provision for land filling expenses	24	451,018	400,000
Provision for employees' end of service benefits		6,189,346	5,844,190
		6,640,364	6,244,190
Current liabilities			
Accounts payable and other liabilities	25	16,450,984	17,333,711
		16,450,984	17,333,711
Total liabilities		23,091,348	23,577,901
Total equity and liabilities		112,032,229	113,738,560

Abdul Aziz Ibrahim Al-Rabia
Chairman

Dr. Adel Khaled Al Sbaeh
Vice-chairman and Chief Executive Officer

The notes set out on pages 38 to 80 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Equity attributable to the owners of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares reserve KD	Staff bonus shares reserve KD	Other components of equity (note 23) KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 31 December 2017 (audited)	**35,021,251**	**32,486,359**	**(249,009)**	**5,086,394**	**440,984**	**24**	**179,490**	**9,506,023**	**2,525,111**	**84,996,627**	**5,164,032**	**90,160,659**
Adjustments arising from applying IFRS 9 (note 3.1)	-	-	-	-	-	-	-	-	(11,892)	(11,892)	(319)	(12,211)
Balance at 1 January 2018 (adjusted)	**35,021,251**	**32,486,359**	**(249,009)**	**5,086,394**	**440,984**	**24**	**179,490**	**9,506,023**	**2,513,219**	**84,984,735**	**5,163,713**	**90,148,448**
Cash dividend distribution (note 27)	-	-	-	-	(284,241)	-	-	-	(2,513,219)	(2,797,460)	-	(2,797,460)
Purchase of treasury shares	-	-	(222,299)	-	-	-	-	-	-	(222,299)	-	(222,299)
Cost of share-based payments (note 20)	-	-	-	-	-	-	261,106	-	-	261,106	-	261,106
Issue of staff bonus shares (note 20)	37,170	42,854	71,735	-	-	1,915	(153,674)	-	-	-	-	-
Transactions with shareholders	37,170	42,854	(150,564)	-	(284,241)	1,915	107,432	-	(2,513,219)	(2,758,653)	-	(2,758,653)
Profit /(loss) for the year	-	-	-	-	-	-	-	-	3,969,302	3,969,302	(196,477)	3,772,825
Other comprehensive (Loss)/ income for the year	-	-	-	-	-	-	-	(2,237,882)	-	(2,237,882)	16,143	(2,221,739)
Total comprehensive (Loss)/ income for the year	-	-	-	-	-	-	-	(2,237,882)	3,969,302	1,731,420	(180,334)	1,551,086
Transferred to reserves	-	-	-	431,110	431,110	-	-	-	(862,220)	-	-	-
Balance at 31 December 2018	**35,058,421**	**32,529,213**	**(399,573)**	**5,517,504**	**587,853**	**1,939**	**286,922**	**7,268,141**	**3,107,082**	**83,957,502**	**4,983,379**	**88,940,881**
Balance at 1 January 2017	34,924,657	32,364,839	(57,110)	4,737,173	2,826,381	-	142,183	9,488,772	764,594	85,191,489	5,466,435	90,657,924
Cash dividend distribution (note 27)	-	-	-	-	(2,734,618)	-	-	-	(764,594)	(3,499,212)	-	(3,499,212)
Purchase of treasury shares	-	-	(192,872)	-	-	-	-	-	-	(192,872)	-	(192,872)
Sale of treasury shares	-	-	973	-	-	24	-	-	-	997	-	997
Cost of share-based payments (note 20)	-	-	-	-	-	-	165,515	-	-	165,515	-	165,515
Issue of staff bonus shares (note 20)	96,594	121,520	-	-	-	-	(128,208)	-	-	89,906	-	89,906
Transactions with owners	96,594	121,520	(191,899)	-	(2,734,618)	24	37,307	-	(764,594)	(3,435,666)	-	(3,435,666)
Profit/(loss) for the year	-	-	-	-	-	-	-	-	3,223,553	3,223,553	(252,238)	2,971,315
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	-	17,251	-	17,251	(50,165)	(32,914)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	17,251	3,223,553	3,240,804	(302,403)	2,938,401
Transferred to reserves	-	-	-	349,221	349,221	-	-	-	(698,442)	-	-	-
Balance at 31 December 2017	35,021,251	32,486,359	(249,009)	5,086,394	440,984	24	179,490	9,506,023	2,525,111	84,996,627	5,164,032	90,160,659

The notes set out on pages 38 to 80 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
OPERATING ACTIVITIES		
Profit for the year	**3,772,825**	2,971,315
Adjustments:		
Depreciation of property, plant and equipment	**3,023,453**	3,129,444
Loss on write off of property, plant and equipment	**2,103**	40,064
Loss on sale of available for sale investments	**-**	58,385
Share of results of associates	**309,348**	805,417
Bargain purchase on acquisition of additional shares of an associate	**-**	(182,023)
Impairment loss in value of an associate	**63,464**	-
Dividend income from available for sale investments	**-**	(270,041)
Dividend income from investments at fair value through other comprehensive income	**(319,129)**	-
Dividend income from investments at fair value through profit or loss	**(72,695)**	-
Income from Murabaha investment	**(242,987)**	(231,390)
Cost of share based payment	**261,106**	255,421
Interest income	**(13,263)**	(40,083)
Finance costs	**2,430**	2,352
Foreign exchange loss on non-operating assets and liabilities	**(57,844)**	1,970
Provision for land filling expenses	**51,018**	48,985
Charge / (Reversal) of provision for slow moving inventory	**46,469**	(46,468)
Reversal of provision for doubtful debts -net	**(130,751)**	(466,019)
Reversal of provision for land filling expenses	**-**	(416,000)
Provision for employees' end of service benefit	**921,046**	1,350,441
	7,616,593	7,011,770
Changes in operating assets and liabilities:		
Inventories and spare parts	**(1,185,000)**	(1,123,921)
Investments at fair value through profit or loss	**(136,420)**	(280,881)
Accounts receivable and other assets	**(107,480)**	3,246,222
Accounts payable and other liabilities	**(914,694)**	1,492,236
Operating cash flow	**5,272,999**	10,345,426
Employees' end of service benefit paid	**(575,890)**	(677,358)
Net cash flow from operating activities	**4,697,109**	9,668,068

The notes set out on pages 38 to 80 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,522,529)	(3,760,375)
Additions to investment in associates	-	(328,078)
Proceeds as a result of capital reduction of an associate	949,500	1,076,100
Proceeds from redemptions of investments at fair value through OCI	27,586	-
Murabaha Investment	(10,022)	-
Proceeds on redemption/sale of available for sale investments	-	934,658
Dividend income received from investments at fair value through other comprehensive income	319,129	-
Dividend income received from available for sale investments	-	270,041
Dividend income received from investments at fair value through profit or loss	72,695	-
Fixed deposits	640,633	(688,809)
Income received from murabaha investments	210,218	226,691
Interest income received	7,743	10,165
Net cash flow used in investing activities	(3,305,047)	(2,259,607)
FINANCING ACTIVITIES		
Repayment of murabaha payable	-	(530,450)
Purchase of treasury shares	(222,299)	(192,872)
Sale of treasury shares	-	997
Finance costs paid	(2,430)	(2,352)
Dividends paid	(2,765,489)	(3,444,043)
Net cash flow used in financing activities	(2,990,218)	(4,168,720)
Net (decrease)/ increase in cash and cash equivalents	(1,598,156)	3,239,741
Cash and cash equivalents at beginning of the year	7,357,724	4,117,983
Cash and cash equivalents at end of the year	5,759,568	7,357,724

The notes set out on pages 38 to 80 form an integral part of these consolidated financial statements.

Notes to The Consolidated Financial Statements

1. INCORPORATION AND ACTIVITIES

National Industries Company – KPSC (the Parent Company) was incorporated on 1 February 1997 as a Kuwaiti Public Shareholding Company and its shares are listed on the Kuwait Stock Exchange. The Parent Company is a subsidiary of National Industries Group Holding – KPSC (ultimate Parent Company).

The main objectives of the Parent Company are as follows:

Manufacturing and marketing building materials and infrastructure products.

- Practicing all industrial activities, re-manufacturing and related activities and implementing same directly or through a third party to the account of the Company or the third party after obtaining the necessary industrial licenses from the competent authorities.
- Implementing studies, researches and development and providing consultations in all kinds of industrial fields.
- Practicing trade of the materials related to the activities of import, export and marketing of products.
- Transportation, clearance, storage and packaging of raw materials and products and acquisition of the necessary means of transportation and storage.
- Quarry works and extraction, trading, formation and manufacturing of sands and rocks and import of the necessary equipment.
- Acquisition and rental of the movables and real estate properties necessary to carry out the Company's activity and market its products.
- Establishing companies or participating therein with other parties to carry out the Company's activities.
- Investing surplus funds in financial portfolios managed by specialized companies.
- The Company may carry out the above activities inside and outside Kuwait.

The Group comprises the Parent Company and its subsidiaries (note 6).

The address of the Parent Company's registered office is PO Box 3314, Safat 13034, State of Kuwait.

These consolidated financial statements for the year ended 31 December 2018 were authorised for issue by the board of directors of the Parent Company on 20 February 2019 subject to approval of the shareholders' general assembly of the Parent Company.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	Effective for annual periods beginning
IFRS 2 Share-based Payment- Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 2 Share-Based Payment- Classification and Measurement

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2
- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature); and
- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value aree presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

Notes to the Consolidated Financial Statements *(continued)*

3. Changes in accounting policies (continued)
3.1 New and amended standards adopted by the Group (continued)

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the Group as follows:

Classification and measurement:

Equity investments are to be measured at FVTPL as well as FVTOCI as certain existing investments in equity instruments qualify for designation as FVTOCI category. The gains and losses on these investments will no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	IAS 39		IFRS 9	
	Classification	Carrying amount KD	Classification	Carrying amount KD
Financial assets				
Reclassification of Available for sale (AFS):				
Local quoted securities	AFS	3,817,796	FVTOCI	3,817,796
Local unquoted securities	AFS	11,782,249	FVTOCI	11,782,249
Foreign quoted securities	AFS	1,926,844	FVTOCI	1,926,844
Foreign unquoted securities	AFS	13,023,318	FVTOCI	13,023,318
Murabaha investment	AFS	4,973,531	Amortised Cost	4,973,531
Reclassification of IAFTPL				
Managed portfolios and funds	FVTPL	1,734,589	FVTPL	1,734,589
Quoted equity securities	FVTPL	432,259	FVTPL	432,259
Reclassification of loans and receivables				
Accounts receivable and other assets (note 18)	Loans and receivables	12,246,651	Amortised cost	12,234,440
Fixed deposits	Loans and receivables	2,191,309	Amortised cost	2,191,309
Cash and bank balances	Loans and receivables	7,357,724	Amortised cost	7,357,724
Total financial assets		**59,486,270**		**59,474,059**

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:

IFRS 9 requires the Group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost. ECL 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. Under IFRS 9, the Group measures ECL as follows:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group has applied simplified approach to impairment of receivables and other financial assets carried at amortized cost as required or permitted under the standard. 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.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowances as follows:

	Provision as at 31 Dec. 2017 KD	Adjustments KD	Provision as at 1 Jan. 2018 KD
Accounts receivable and other assets	(983,404)	(12,211)	(995,615)

There was no additional impairment on other financial assets of the Group that are measured at amortised cost.

Summary of impact on application of IFRS 9:

As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The implementation of IFRS 9 has resulted in the following impact:

	Balance at 31 Dec. 2017 as reported KD	Adjustment/ reclassification KD	Balance at 1 Jan. 2018 as restated KD
Assets			
Available for sale investments	35,523,738	(35,523,738)	-
Investments at fair value through other comprehensive income	-	30,550,207	30,550,207
Murabaha investment	-	4,973,531	4,973,531
Investments at fair value through profit or loss	2,166,848	-	2,166,848
Accounts receivable and other assets	12,980,249	(12,211)	12,968,038
Fixed deposits	2,191,309	-	2,191,309
Cash and bank balances	7,357,724	-	7,357,724
Equity			
Retained earnings	2,525,111	(11,892)	2,513,219
Non-controlling interests	5,164,032	(319)	5,163,713

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 “Revenues”, IAS 11 “Construction Contract” and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

Adoption of this standard did not have a significant impact on the Group’s consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.

Adoption of these amendments did not have a significant impact on the Group’s consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Adoption of these amendments did not have a significant impact on the Group’s consolidated financial statements.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's interim condensed consolidated financial information.

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture – Amendments	No stated date
IFRS 16 Leases	1 January 2019
IAS 1 and IAS 8 - Amendments	1 January 2020

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and nine related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets

- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

4.1 Basis of preparation

These 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 convention, except for certain investments at fair value through profit or loss, investments at fair value through other comprehensive income that are measured at fair value.

The Group has elected to present the "statement of profit or loss and other comprehensive income" in two separate statements: the "statement of profit or loss" and "statement of profit or loss and other comprehensive income".

4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately. Goodwill is recognised at cost less cumulative impairment in value.

4.4 Segment reporting

The Group has two operating segments: the building materials and contracting services and investments segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.5 Revenue

The Group recognises revenue from the following major sources:

- Sale of the Group's goods of building materials and infrastructure products
- Construction contracts

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

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

4.5.1 Sale of goods building materials and infrastructure products

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

4.5.2 Construction contracts

The Group concludes construction long-term contracts with customers. Such contracts are entered into before construction work begins. Under the terms of the contracts, the Group has an enforceable right to payment for the work done. Revenue from construction work is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group becomes entitled to invoice customers for construction work based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference.

4.6 Interest and similar income

Interest income are reported on an accrual basis using the effective interest method. Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

4.7 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

4.8 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.10 Taxation

4.10.1 Kuwait Foundation for the Advancement of Sciences

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

4.10.2 National Labour Support Tax

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the shareholders of the Parent Company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.10.3 Zakat

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

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4.11 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost

less estimated residual value. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The following useful lives are applied:

• Buildings:	4 - 20 years
• Plant and equipment:	1 – 10 years
• Motor vehicles	2 – 10 years
• Furniture and equipment:	4 - 10 years.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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 recognised in the consolidated statement of profit or loss.

4.12 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Cost of finished goods is calculated using first-in first-out method. For other items of inventory, cost is calculated using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.14 Financial instruments

4.14.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group’s continuing involvement in the asset.

A financial liability is derecognised 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 recognised in consolidated statement of profit or loss.

4.14.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income
- financial assets at fair value through profit or loss

The classification is determined by both:

- the entity’s business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable tests/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

4.14.3 Subsequent measurement of financial assets

- ***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with banks which are subject to an insignificant risk of changes in value.

Accounts receivable and other assets

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred

Due from related parties

Due from related parties are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

Fixed deposit

The deposit is carried at the invested balance and does not include the related profit due, which are subject to insignificant risk of changes in value.

- ***Financial assets at FVTOCI***

The Group's financial assets at FVTOCI comprise of the following:

- *Investment in equity shares:* These represent investments in equity shares of various companies and include both quoted and unquoted.

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised

in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

• Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise of Investment in equity shares

4.14.4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the

magnitude of the loss if there is a default) and the exposure at the probability of default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group always recognises lifetime ECL for trade receivables, and due from related parties balances. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.14.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other liabilities and due to related parties.

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

Financial Liabilities at amortized cost

Payables and other liabilities

Payables and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

4.15 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

4.16 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.17 Offsetting of financial instruments

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

4.18 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

4.19 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's memorandum of incorporation and articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwaiti Dinar ("KD")
- Fair value reserve – comprises gains and losses relating to investments at fair value through profit or loss.

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general assembly meeting.

4.20 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4.21 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

4.22 Foreign currency translation

4.22.1 Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.22.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.22.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

4.23 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

With respect to its Kuwaiti national employees, the Group, in addition to end of service benefits, makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

4.24 Related party transactions

Related parties consist of the ultimate parent, subsidiaries, associates, Company directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

4.25 Share-based payments

Certain senior management employees are granted share options of Parent Company as part of their remunerations package.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in staff share bonus reserve in equity, over the period in which vesting conditions are fulfilled (note 28). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of profit or loss or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period and is recognised in employee benefits expenses.

When the terms of an equity-settled award are modified, the minimum expenses recognised is the expenses had the terms had not been modified, if the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employees as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computations of diluted earnings per share.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.14). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

5.2.2 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

5.2.3 Impairment of inventories

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

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

5.2.4 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

5.2.5 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5.2.6 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the Company.

6. SUBSIDIARIES

The details of the subsidiaries are as follows:

6.1 Composition of the Group

Name of Subsidiary	Country of incorporation	Percentage of ownership 31 Dec. 2018 %	31 Dec. 2017 %	Purpose
Building Systems Industries Company – WLL (6.1.1)	Kuwait	98	98	Construction and contracting
National Industries Company for Ceramic - KSCC (6.1.2)	Kuwait	86.427	86.427	Manufacturing
Saudi Insulation Bricks Company –WLL (6.1.3)	Saudi Arabia	50	50	Manufacturing

6.1.1 The Group has consolidated Building Systems Industries Company – WLL using the audited financial statements for the fiscal year ended 30 November 2018. Other shareholders, who own the remaining 2% of the share capital, signed a waiver for the 2% share in favour of the Parent Company, accordingly 100% of this subsidiary is consolidated.

6.1.2 The Group consolidated National Industries Company for Ceramic – KSCC using the management accounts for the financial year ending 31 December 2018.

6.1.3 The Group consolidated Saudi Insulation Bricks Company –WLL using the management accounts for the nine months ending 30 September 2018.

6.2 Subsidiaries with material non-controlling interests

The Group includes the following subsidiaries with material non-controlling interests (NCI):

	Proportion of ownership interests and voting rights		Loss allocated to NCI		Accumulated NCI	
Name of Subsidiary held by the NCI	**31 Dec 2018 %.**	31 Dec 2017 %.	**31 Dec 2018 KD.**	31 Dec 2017 KD.	**31 Dec 2018 KD.**	31 Dec 2017 KD.
Saudi Insulation Bricks Company – WLL	**50%**	50%	**(49,586)**	(139,733)	**3,556,298**	3,589,741
National Industries Company for Ceramic – KSCC	**13.573%**	13.573%	**(146,891)**	(112,505)	**1,427,081**	1,574,291
					4,983,379	5,164,032

No dividends were paid to the NCI during the years 2018 and 2017.

a. Saudi Insulation Bricks Company –WLL

Summarised financial information for Saudi Insulation Bricks Company –WLL, before intragroup eliminations is set out below:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Non-current assets	**7,419,098**	7,479,315
Current assets	**1,126,885**	1,497,598
Total assets	**8,545,983**	8,976,913
Non-current liabilities	**11,050**	66,188
Current liabilities	**1,422,337**	1,731,243
Total liabilities	**1,433,387**	1,797,431
Equity attributable to the owners of the Parent Company	**3,556,298**	3,589,741
Non-controlling interests	**3,556,298**	3,589,741
Total equity	**7,112,596**	7,179,482
Revenue	**1,040,572**	1,636,501
Loss for the year attributable to the owners of the Parent Company	**(49,586)**	(139,733)
Loss for the year attributable to NCI	**(49,586)**	(139,733)
Loss for the year	**(99,172)**	(279,466)
Other comprehensive income/(loss) for the year attributable to the owners of the Parent Company	**16,143**	(50,165)
Other comprehensive income/(loss) for the year attributable to NCI	**16,143**	(50,165)
Total other comprehensive income/(loss) for the year	**32,286**	(100,330)
Total comprehensive loss for the year attributable to the owners of the Parent Company	**(33,443)**	(189,899)
Total comprehensive loss for the year attributable to NCI	**(33,443)**	(189,899)
Total comprehensive loss for the year	**(66,886)**	(379,798)
Net cash flow (used in)/from operating activities	**(20,706)**	68,874
Net cash flow used in investing activities	**(135)**	(52,561)
Net cash flow	**(20,841)**	16,313

Notes to the Consolidated Financial Statements *(continued)*

6 Subsidiaries (continued)
6.2 Subsidiaries with material non-controlling interests (continued)

b. National Industries Company for Ceramic -KSCC

Summarised financial information for National Industries Company for Ceramic – KSCC, before intraGroup eliminations is set out below:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Non-current assets	14,046,507	14,934,524
Current assets	7,463,226	7,692,260
Total assets	21,509,733	22,626,784
Non-current liabilities	429,048	359,932
Current liabilities	14,748,645	14,180,199
Total liabilities	15,177,693	14,540,131
Equity attributable to the owners of the Parent Company	5,472,597	6,989,052
Non-controlling interests	859,443	1,097,601
Total equity	6,332,040	8,086,653
Revenue	4,408,805	4,713,410
Loss for the year attributable to the owners of the Parent Company	(1,516,184)	(1,288,755)
Loss for the year attributable to NCI	(238,110)	(202,394)
Loss for the year	(1,754,294)	(1,491,149)
Total comprehensive loss for the year attributable to the owners of the Parent Company	(1,516,184)	(1,288,755)
Total comprehensive loss for the year attributable to NCI	(238,110)	(202,394)
Total comprehensive loss for the year	(1,754,294)	(1,491,149)
Net cash flow (used in)/from operating activities	(11,242)	1,164,029
Net cash flow used in investing activities	(379,641)	(437,702)
Net cash flow from/(used in) financing activities	236,968	(463,835)
Net cash flow	(153,915)	262,492

6.3 Interests in unconsolidated structured entities

The Group has no interests in unconsolidated structured entities.

7. REVENUE FROM SALES AND CONTRACTS WITH CUSTOMERS

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Sale of building materials and infrastructure materials	51,108,653	44,329,191
Contracting revenue	1,814,557	812,665
	52,923,210	45,141,856

8. OTHER OPERATING INCOME

Other operating income includes a gain from sale of fully depreciated amounting to KD223,000 (Note 11(, In addition to reversal of accrued expense for land usage by an amount of KD 562,800 relating to the Group factories in Mina Abdullah which has been recognized over previous years, the Group has reassessed the value of the accrued expense as per the contracts signed with the general authority for industry relating to land usage , And determined that the liability recorded by the Group is higher than the estimated amount due, Accordingly a reversal of the difference has been recognized in the consolidated statement of profit or loss as a reduction of the accrued expense.

9. INVESTMENT INCOME

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Loss on sale of available for sale investments	-	(58,385)
Dividend income from available for sale investments	-	270,041
Dividend income from investments at fair value through other comprehensive income	319,129	-
Dividend income from investments at fair value through profit or loss	72,695	-
Income from investments at fair value through profit or loss	136,420	334,224
Income from Murabaha investment	242,987	231,390
Interest and other income	13,263	40,083
	784,494	817,353

10. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding excluding treasury shares, during the year as follows:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
Profit for the year attributable to the owners of the Parent Company (KD)	3,969,302	3,223,553
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	349,119,980	349,751,181
Shares to be issued for no consideration under share-based payments – note 28	1,338,136	1,055,362
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	350,458,116	350,806,543
Basic earnings per share attributable to the owners of Parent Company	11.37 Fils	9.22 Fils
Diluted earnings per share attributable to the owners of Parent Company	11.33 Fils	9.19 Fils

11. PROPERTY, PLANT AND EQUIPMENT

	Land KD	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
31 December 2018							
Cost							
At 1 January	1,463,116	34,231,877	54,080,255	12,737,916	4,544,589	3,837,504	110,895,257
Additions/transfers	-	176,352	4,565,355	2,387,459	178,617	(1,785,254)	5,522,529
Write-off/disposals	-	-	(427,829)	(16,403)	(75,257)	-	(519,489)
Foreign currency adjustments	6,742	11,127	35,808	699	401	542	55,319
At 31 December	1,469,858	34,419,356	58,253,589	15,109,671	4,648,350	2,052,792	115,953,616
Accumulated depreciation							
At 1 January	-	25,160,853	42,285,149	11,036,673	3,917,084	-	82,399,759
Charge for the year	-	682,634	1,411,263	628,697	300,859	-	3,023,453
Relating to write- off/ disposals	-	-	(426,803)	(16,400)	(74,183)	-	(517,386)
Foreign currency adjustments	-	3,133	16,841	697	180	-	20,851
At 31 December	-	25,846,620	43,286,450	11,649,667	4,143,940	-	84,926,677
Net book value at 31 December	1,469,858	8,572,736	14,967,139	3,460,004	504,410	2,052,792	31,026,939

	Land KD	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
31 December 2017							
Cost							
At 1 January	1,482,798	34,155,920	54,712,715	12,487,964	4,422,829	1,304,034	108,566,260
Additions	-	137,362	635,886	298,252	154,469	2,534,406	3,760,375
Write-off/disposals	-	(28,925)	(1,163,880)	(46,261)	(31,545)	-	(1,270,611)
Foreign currency adjustments	(19,682)	(32,480)	(104,466)	(2,039)	(1,164)	(936)	(160,767)
At 31 December	1,463,116	34,231,877	54,080,255	12,737,916	4,544,589	3,837,504	110,895,257
Accumulated depreciation							
At 1 January	-	24,495,160	41,961,220	10,466,493	3,636,456	-	80,559,329
Charge for the year	-	692,629	1,518,423	606,142	312,250	-	3,129,444
Relating to write- off/ disposals	-	(18,263)	(1,147,653)	(33,452)	(31,179)	-	(1,230,547)
Foreign currency adjustments	-	(8,673)	(46,841)	(2,510)	(443)	-	(58,467)
At 31 December	-	25,160,853	42,285,149	11,036,673	3,917,084	-	82,399,759
Net book valueat 31 December	1,463,116	9,071,024	11,795,106	1,701,243	627,505	3,837,504	28,495,498

During the year the Parent Company sold a fully depreciated equipment to a related party with a selling price amounted to KD 223,000 which resulted in a gain from sale by an amount of KD 223,000.

The Parent Company's buildings have been constructed on plots of land which have been leased from the government through renewable lease contracts.

Assets under construction mainly represent the cost incurred on the expansion of the Group's existing factories and the construction of manufacturing lines by a subsidiary. Portions of the manufacturing lines which were completed and ready for intended use were capitalised in the appropriate categories. The costs relating to the remaining manufacturing lines and facilities will be transferred to the appropriate asset categories when the assets are ready for their intended use.

12. INVESTMENT IN ASSOCIATES

Details of the Group's investment in associates are given below:

	Country of incorporation	Percentage of ownership 31 Dec. 2018	31 Dec. 2017	Purpose
Kuwait Rocks Company – KSCC (under liquidation)	Kuwait	**38%**	38%	Building materials
Al-Raya Global Real Estate Co. – KSCC	Kuwait	**25.32%**	25.32%	Real estate
Insulated Building Systems Factory – WLL	Bahrain	**50%**	50%	Contracting
United Gulf Pipes Factory – LLC	Oman	**45%**	45%	Manufacturing
Omani German Company for Building Materials – LLC	Oman	**33.662%**	33.662%	Manufacturing

All of the above associates are unquoted.

The value of the investment in Kuwait Rocks Company – KSCC (under liquidation) is included for an amount of KD 1 until the process of liquidation is executed.

The movement of investment in associates during the year is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Balance at beginning of the year	**4,241,413**	5,656,599
Share of results of associates	**(309,348)**	(805,417)
Bargain purchase on acquisition of additional shares of an associate	**-**	182,023
Capital reduction (12.1.1)	**(949,500)**	(1,076,100)
Additions	**-**	328,078
Impairment in Value (12.1.2)	**(63,464)**	-
Share of other comprehensive loss	**(5,464)**	(5,743)
Foreign exchange translation	**17,327**	(38,027)
	2,930,964	4,241,413

12.1.1 During the year Al Raya Global Real Estate Company-KSCC reduced its share capital by 70.09% (2017: 44.3%). The Group's share in this reduction amounted to KD 949,500 (KD1,076,100 in 2017) fully received, knowing that its share in that associate hasn't changed.

12.1.2 As a result of impairment test for the value recorded for investments in associates, The Group recognised impairment loss by an amount of KD63,464 for its investment in United Gulf Pipes Factory – LLC which is recognized in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements *(continued)*

12 Investment in associates (continued)

12.2 Summarised financial information of Group's material associates are set out below:

a) Al-Raya Global Real Estate Co. – KSCC:

	31 Dec. 2018 KD	31 Dec.2017 KD
Non-current assets	4,483,425	4,336,150
Current assets	1,053,850	4,842,167
Total assets	5,537,275	9,178,317
Non-current liabilities	77,847	81,714
Current liabilities	1,842,096	1,777,306
Total liabilities	1,919,943	1,859,020
Net assets	3,617,332	7,319,297

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec.2017 KD
Revenue	208,060	307,904
Profit for the year	38,793	71,964
Other comprehensive income/(loss) for the year	9,243	(22,682)
Total comprehensive income for the year	48,036	49,282

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2018	Year ended 31 Dec.2017
Group's ownership interest	25.32%	25.32%
Net assets of the associate (KD)	3,617,332	7,319,297
Group's share of net assets (KD)	915,908	1,853,246
Carrying amount (KD)	915,908	1,853,246

The Group has accounted for its share of results of this associate using unaudited financial information as of 30 September 2018.

Notes to the Consolidated Financial Statements *(continued)*

12 Investment in associates (continued)
12.2 Summarised financial information of Group's material associates (continued)

b) Insulated Building Systems Factory– WLL:

	31 Dec. 2018 KD	31 Dec.2017 KD
Non-current assets	1,554,420	1,749,704
Current assets	2,697,124	2,136,525
Total assets	4,251,544	3,886,229
Non-current liabilities	37,619	39,432
Current liabilities	882,195	564,203
Total liabilities	919,814	603,635
Net assets	3,331,730	3,282,594

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec.2017 KD
Revenue	1,626,647	1,645,865
Profit for the year	33,880	134,870
Total comprehensive income for the year	49,138	134,870

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
Group's ownership interest	50%	50%
Net assets of the associate (KD)	3,331,733	3,282,594
Group's share of net assets (KD)	1,665,865	1,641,297
Carrying amount (KD)	1,665,865	1,641,297

The Group has accounted for its share of results of this associate using management accounts as of 31 December 2018.

Notes to the Consolidated Financial Statements *(continued)*

12 Investment in associates (continued)
12.2 Summarised financial information of Group's material associates (continued)

c) United Gulf Pipes Factory – LLC:

	31 Dec. 2018 KD	31 Dec.2017 KD
Non-current assets	5,216,325	5,437,246
Current assets	3,365,238	3,485,207
Total assets	8,581,563	8,922,453
Non-current liabilities	529,110	1,168,503
Current liabilities	7,840,867	6,957,024
Total liabilities	8,369,977	8,125,527
Net assets	211,586	796,926

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec.2017 KD
Revenue	5,644,398	3,607,672
Loss for the year	(589,043)	(1,429,768)
Total comprehensive loss for the year	(589,043)	(1,429,768)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec.2017 KD
Group's ownership interest	45%	45%
Net assets of the associate (KD)	211,586	796,926
Group's share of net assets (KD)	95,214	358,617
Embedded Goodwill	253,975	317,439
Carrying amount (KD)	349,189	676,056

The Group has accounted for its share of results of this associate using management accounts as of 31 December 2018. Also the embedded goodwill is reduced during the year by an amount of KD 63,464.

12.3 Set out below is the aggregate information for the individually immaterial associates, based on the unaudited financial statements as at December 31, 2018 and 2017.

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec.2017 KD
Group's share of profits or losses	(71,041)	(236,618)
Group's share of total comprehensive loss	(71,041)	(236,618)
Aggregate carrying amount of Group's interest in these associates	2	70,814

13. AVAILABLE FOR SALE INVESTMENTS

	31 Dec. 2018 KD	31 Dec.2017 KD
Local quoted securities	-	3,817,796
Local unquoted securities	-	11,782,249
Foreign quoted securities	-	1,926,844
Foreign unquoted securities	-	13,023,318
Murabaha investment	-	4,973,531
	-	35,523,738

Starting from 1 January 2018, these investments mentioned above have been reclassified to new categories as a result of applying IFRS 9 (note 14, note 15 and note 3.1).

14. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec. 2018 KD	31 Dec.2017 KD
Local quoted securities	3,366,063	-
Local unquoted securities	12,825,874	-
Foreign quoted securities	1,587,953	-
Foreign unquoted securities	10,532,500	-
	28,312,390	-

These investments are held in equity instruments for medium- to long-term strategic objectives. Accordingly, the management has chosen to identify these investments in equity instruments as investments at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these investments in the statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

None of the investments at fair value through other comprehensive income were sold during the year.

15. MURABAHA INVESTMENT

Murabaha investment is an investment in a local Islamic financial institution and carries effective profit rate of 2% (2017:2%)above CBK rate and is carried at the amortised cost. This investment represents the Parent Company's participation in a syndicated arrangement of murabaha provided to the ultimate Parent Company by a local Islamic financial institution. This investment matures in 12 August 2021. As shown in note 13 and note 3.1, the murabaha investment was reclassified from available for sale investment to murabaha investment at amortised cost.

16. INVENTORIES AND SPARE PARTS

	31 Dec. 2018 KD	31 Dec.2017 KD
Raw materials	11,010,586	9,258,418
Finished goods and work-in-progress	7,023,924	6,859,579
Spare parts	3,705,461	3,652,835
Goods in transit	1,050,735	1,834,875
	22,790,706	21,605,707
Provision for obsolete and slow moving items (16.1)	(870,394)	(823,926)
	21,920,312	20,781,781

16.1 The following is a statement of the movement of the provision for obsolete and slow moving items during the year:

	31 Dec. 2018 KD	31 Dec.2017 KD
Opening balance	(823,926)	(870,394)
Charged during the year	(46,468)	-
Reversal of provision no longer required during the year	-	46,468
Closing Balance	(870,394)	(823,926)

17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec. 2018 KD	31 Dec.2017 KD
Managed funds and portfolios	1,847,955	1,734,589
Quoted equity securities	455,313	432,259
	2,303,268	2,166,848

18. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	31 Dec. 2018 KD	31 Dec.2017 KD
Financial assets:		
Trade receivables	10,575,266	10,915,257
Ultimate Parent Company current account	546,583	546,322
Due from associates	479,555	446,384
Due from other related companies	9,023	9,023
Staff receivables	270,239	237,368
Retentions	1,012,505	783,153
Accrued income and other assets	254,480	292,548
	13,147,651	13,230,055
Less: Provision for doubtful debts (See 18.1 below)	(864,864)	(983,404)
	12,282,787	12,246,651
Non-Financial assets:		
Prepayments	824,804	634,528
Advances to contractors	136,968	99,070
	961,772	733,598
	13,244,559	12,980,249

18.1 Provision for doubtful debts for comparative figures is calculated based on measurement basis required by IFRS (39) which apply the incurred loss model, while provision for doubtful debts for current year is calculated as per IFRS (9) which is calculated based on expected credit loss model.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and nature of customers.

The expected credit loss for financial assets above at 31 December 2018 and 1 January 2018 was determined as follows:

	Current KD	More than 30 Days KD	More than 90 Days KD	More than 120 Days KD	More than 180 Days KD	More than a year KD	Total KD
31 December 2018:							
Total Carrying amount	**5,833,940**	**4,306,634**	**577,273**	**629,961**	**1,163,068**	**636,775**	**13,147,651**
Lifetime ECLs	**(17,502)**	**(86,133)**	**(23,172)**	**(31,498)**	**(69,784)**	**(636,775)**	**(864,864)**
Total financial assets							**12,282,787**
1 January 2018:							
Total Carrying amount	**5,723,940**	**4,215,767**	**585,135**	**237,767**	**1,830,671**	**636,775**	**13,230,055**
Lifetime ECLs	**(17,172)**	**(118,925)**	**(32,185)**	**(16,644)**	**(173,914)**	**(636,775)**	**(995,615)**
Total financial assets							**12,234,440**

A statement of the movement of the provision for doubtful debts during the year is as follows:

	31 Dec. 2018 KD	31 Dec.2017 KD
Opening balance	**(983,404)**	(1,449,423)
Adjustments arising from applying IFRS 9 (Note 3.1)	**(12,211)**	-
Charged during the year	**(299,249)**	-
Reversal of provision no longer required during the year- (Below)	**430,000**	466,019
Closing Balance	**(864,864)**	(983,404)

During the year, the provision for doubtful debts, related to one of the Parent Company's customers, was reversed for an amount of KD430,000 (31 December 2017: KD466,019) as a result of collecting balances of those receivables.

19. FIXED DEPOSITS

Fixed deposits carry an average interest rate that varies from 1.6% to 1.9% (2017: 1.6% o 1.9%) per annum and mature within one year from the date of the consolidated statement of financial position.

20. SHARE CAPITAL AND SHARE PREMIUM

	31 Dec. 2018 KD	31 Dec.2017 KD
Shares of KD0.100 each		
- Authorised	36,020,187	36,020,187
- Issued and fully paid	35,058,421	35,021,251

During the year, the Parent Company issued 724,095 shares (2017: 965,944 shares) under the staff share-based payments scheme (note 28) at price ranging from KD0.200 to KD0.335 per share. At a cost of KD153,674 (KD128,208 in 2017).

The amount in excess of the nominal amount of KD0.100 for each share was credited to the share premium account.

21. TREASURY SHARES

	31 Dec. 2018	31 Dec. 2017
Number of shares	2,133,534	1,221,598
Percentage of issued shares	0.0609%	0.349%
Cost of treasury shares (KD)	399,573	249,009
Market value (KD)	388,303	238,212

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

22. LEGAL AND VOLUNTARY RESERVES

In accordance with the Companies Law and the Parent Company's memorandum of incorporation and articles of association, 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

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

In accordance with the Companies Law and the Parent Company's articles of association, up to 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is transferred to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

23. OTHER COMPONENTS OF EQUITY

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2018	**9,341,767**	**164,256**	**9,506,023**
Exchange differences on translation of foreign operations	**-**	**(22,188)**	**(22,188)**
Share of other comprehensive loss of associates	**(7,804)**	**2,340**	**(5,464)**
Equity investments at fair value through OCI:			
- Net change in fair value arising during the year	**(2,210,230)**	**-**	**(2,210,230)**
Total other comprehensive loss for the year	**(2,218,034)**	**(19,848)**	**(2,237,882)**
Balance at 31 December 2018	**7,123,733**	**144,408**	**7,268,141**
Balance at 1 January 2017	9,230,581	258,191	9,488,772
Exchange differences on translation of foreign operations	-	(88,192)	(88,192)
Share of other comprehensive loss of associates	-	(5,743)	(5,743)
Available for sale investments:			
- Net change in fair value arising during the year	(367,323)	-	(367,323)
- Transferred to consolidated statement of profit or loss on sale	478,509	-	478,509
Total other comprehensive income for the year	111,186	(93,935)	17,251
Balance at 31 December 2017	9,341,767	164,256	9,506,023

24. PROVISION FOR LAND-FILLING EXPENSES

The movement of the provision for land-filling expenses during the year is as follows:

	31 Dec. 2018 KD	31 Dec.2017 KD
Opening balance	**400,000**	767,015
Charged during the year	**51,018**	48,985
Reversal of provision no longer required during the year	**-**	(416,000)
Closing Balance	**451,018**	400,000

25. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 Dec. 2018 KD	31 Dec.2017 KD
Trade payables	**7,991,583**	9,431,295
Due to other related companies	**552,702**	441,061
Due to an associate	**399,303**	397,469
Staff payables	**178,576**	131,852
Provision for staff leave	**967,925**	908,048
Accrued expenses	**1,602,610**	1,837,905
Due to customers for contract works	**552,788**	244,992
Other liabilities	**1,505,497**	1,241,089
Provision for claim of gas (see below)	**2,700,000**	2,700,000
	16,450,984	17,333,711

In a previous year, the Parent Company received a letter from one of the government owned entities which supplies gas to one of the factories of the Group demanding payment for usage of gas for 2004 till 2011. The Group rejected this claim on several grounds, inter alia, there has never been agreement to pay for gas usage for that period because the factory was relocated at that place on the government's request wherein the government had promised provision of land, electricity and gas. Further, no invoice was ever issued to the Group in that period. The supplier filed a legal case against the Parent Company claiming its right to recover the amount for the gas usage. The court in its first hearing transferred the case to the Expert's department. Subsequently, the court issued a ruling ordering the Parent Company to pay an amount of USD9.3 Million to the plaintiff. Accordingly, the Parent Company recorded a provision against this liability, during the year ended 31 December 2016, amounting to KD2.7 Million, Also the Parent Company appealed the ruling though the judgment is still pending.

26. OPERATING SEGMENTS

The Group's format for reporting segment information is business segments and the Group primarily operates in two business segments: Building materials and Contracting services, and Investments. The segment information is as follows:

	Building materials and contracting services		Investments		Total	
	31 Dec. 2018 KD	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD
Segment revenue	**52,923,210**	45,141,856	**784,494**	817,353	**53,707,704**	45,959,209
Share of results of associates	**-**	-	**(309,348)**	(805,417)	**(309,348)**	(805,417)
Bargain purchase on acquisition of additional shares of an associate	**-**	-	**-**	182,023	**-**	182,023
					53,398,356	45,335,815
Segment results	**3,702,941**	3,046,016	**411,682**	193,959	**4,114,623**	3,239,975
Unallocated expenses					**(341,798)**	(268,660)
Profit for the year, per consolidated statement of profit or loss					**3,772,825**	2,971,315
Depreciation	**3,023,453**	3,129,444	**-**	-	**3,023,453**	3,129,444
Total Assets	**71,951,378**	69,615,252	**40,080,851**	44,123,308	**112,032,229**	113,738,560

27. PROPOSED DIVIDENDS AND GENERAL ASSEMBLY OF THE SHAREHOLDERS

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of the Parent Company proposed, for the year ended 31 December 2018, a cash dividends of 10% of the paid up share capital equivalent to 10 Fils per share to be distributed to the registered shareholders as at the date of record.

The annual general assembly of the shareholders held on 4 April 2018 approved the consolidated financial statements for the year ended 31 December 2017 as well as a dividend distribution of 8 Fils (2016: 10 Fils) per share from the paid-up capital that is equivalent to KD2,797,460 (2016: equivalent to KD3,499,212), for the year ended 31 December 2017. Further, the annual general assembly of shareholders approved directors' remuneration amounting to KD130,000 for the year ended 31 December 2017 (2016: amounting to KD150,000).

28. SHARE-BASED PAYMENT

Under the senior executive plan, share options of the Parent Company are granted to certain senior executives of the Parent Company.

The scheme is part of the remuneration package of the Group's senior management. The scheme continues for a five year period under which a maximum of 7,000,000 shares will be granted to the participants over that period. Options under the scheme will vest if certain conditions, as defined in the scheme, are met. It is based on the performance of the scheme participants and the options vests at the end of each fiscal year based on a pre-determined formula. Participants have to be employed until the end of each of the five year vesting period. Upon vesting, each option allows the holder to receive one share at no cost.

Notes to the Consolidated Financial Statements *(continued)*

28. Share-based payment (continued)

The expense recognised for services provided by employees under the senior executive plan amounted to KD261,106 (2017: KD271,035) during the year. The carrying amount of the liability relating to the plan at 31 December 2018 was KD286,922 (2017: KD179,490) shown under staff bonus reserve in equity.

The following table illustrates the number and weighed average exercise prices (WAEP) and movement in share option during the year.

	31 Dec 2018		31 Dec 2017	
	Share options Number	WAEP KD	Share options Number	WAEP KD
Opening balance	1,055,362	0.218	929,337	0.230
Granted during the year	1,006,869	0.209	1,091,969	0.218
Exercised during the year – note 20	(724,095)	0.212	(965,944)	0.226
Outstanding at 31 December – note 10	1,388,136	0.214	1,055,362	0.218

29. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party balances and transactions are as follows:

	31 Dec. 2018 KD	31 Dec.2017 KD
Amounts included in the consolidated financial position:		
Ultimate Parent Company's current accounts (note 18)	546,583	546,322
Due from associates (note 18)	479,555	446,384
Due from other related companies (note 18)	9,023	9,023
Due to associate (note 25)	399,303	397,469
Due to other related companies (note 25)	552,702	441,061
Murabaha investments at amortized cost (previously: available for sale investment)	4,983,553	4,973,531

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Transactions included in the consolidated statement of profit or loss:		
Interest income	2,460	4,453
Other income	230,116	-
Compensation of key management personnel of the Parent Company		
Directors' remuneration	150,000	280,000
Short term benefits	229,782	233,094
End of service benefits	32,883	31,434
Cost of share-based payments	261,106	271,035
	673,771	815,563

30. COMMITMENTS AND CONTINGENT LIABILITIES

	31 Dec. 2018 KD	31 Dec.2017 KD
Issued letters of guarantee	6,511,538	6,391,258
Letters of guarantee from ultimate Parent Company	200,000	200,000
	6,711,538	6,591,258

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The recognition and management of risk is an essential element of Group's risk strategy. The Parent Company's board is ultimately responsible for the management of risks associated with Group's activities. It has established a framework of policies and controls to identify, assess, monitor and manage risks.

Group's risk policies and processes aim to protect the asset values and income streams such that the interests of shareholders and external fund providers are protected and shareholders' return is optimized.

31.1 Market risk

a. Foreign currency risk

The Group is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Pound Sterling and currencies of other Middle Eastern countries. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2018 KD	31 Dec.2017 KD
US Dollar	8,426,262	11,953,047
UAE Dirhams	1,640,365	1,438,194
Jordanian Dinar	210,183	252,109
Saudi Riyal	6,989,826	6,357,214
Bahraini Dinar	1,934,046	1,911,254
Omani Riyal	1,268,643	1,633,153
Pound Sterling	522,438	548,940

The foreign currency sensitivity is determined assuming 5% (2017: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

Notes to the Consolidated Financial Statements *(continued)*

31 Risk management objectives and policies (continued)
31.1 Market risk (continued)

If the Kuwaiti Dinar had strengthened/weakened assuming the above sensitivity, then this would have the following impact on the profit for the year and equity:

	Profit for the year		Equity	
	31 Dec. 2018	31 Dec.2017	**31 Dec. 2018**	31 Dec.2017
	KD	KD	**KD**	KD
US Dollar	**±28,806**	±31,723	**±392,507**	±565,929
Other currencies	**±316,012**	±310,562	**±733,888**	±894,517

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

b. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk mainly with respect to fixed deposits and murabaha investment.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2017: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2018		31 Dec. 2017	
	+ 1 %	**-1 %**	+ 1 %	-1 %
	KD	**KD**	KD	KD
Profit for the year	**65,342**	**(65,342)**	71,648	(71,648)

c. Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through profit or loss or investments at fair value through other comprehensive income.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The equity price risk sensitivity is determined on the following assumptions:

	31 Dec. 2018	31 Dec. 2017
Kuwait market	**5%**	5%
Other international markets	**10%**	10%

Notes to the Consolidated Financial Statements *(continued)*

31 Risk management objectives and policies (continued)
31.1 Market risk (continued)

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	Profit for the year		Equity	
	31 Dec. 2018 KD	31 Dec. 2017 KD	**31 Dec. 2018 KD**	31 Dec. 2017 KD
Financial assets at fair value through profit or loss	**115,163**	108,342	**-**	-
Investments at fair value through other comprehensive income	**-**	-	**327,098**	-
Available-for-sale investments	**-**	-	**-**	383,574
Total	**115,163**	108,342	**327,098**	383,574

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the financial position date, as summarized below:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Bank balances	**5,674,111**	7,253,634
Fixed deposits	**1,550,676**	2,191,309
Accounts receivable and other assets (note 18)	**12,282,787**	12,246,651
Murabaha investment	**4,983,553**	4,973,532
Available for sale investments	**-**	30,550,206
Investments at fair value through profit or loss	**2,303,268**	2,166,848
Investments at fair value through other comprehensive income	**28,312,390**	-
	55,106,785	59,382,180

Bank balances and fixed deposit are maintained with high credit quality financial institutions.

The Company's largest customer accounted for 9% (2017: 9%) of the total trade receivables.

31.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Group's maturity profile of financial liabilities is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
As at 31 December 2018					
Accounts payable and other liabilities	**3,435,521**	**4,583,950**	**8,431,513**	**-**	**16,450,984**
	3,435,521	**4,583,950**	**8,431,513**	**-**	**16,450,984**
As at 31 December 2017					
Accounts payable and other liabilities	3,514,500	4,828,740	8,990,471	-	17,333,711
	3,514,500	4,828,740	8,990,471	-	17,333,711

The undiscounted cash flows for financial liabilities are not materially different from those presented above.

32. FAIR VALUE MEASUREMENT

32.1 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 air value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32.2 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	5,759,568	7,357,724
Fixed deposits	1,550,676	2,191,309
Accounts receivable and other assets (note 18)	12,282,787	12,246,651
Murabaha investment	4,983,553	-
Investments at fair value through profit or loss:		
Investments at fair value through profit or loss	2,303,268	2,166,848
Available for sale investments:		
Available for sale investments - at fair value	-	29,919,868
Available for sale investments - at cost	-	630,339
Murabaha investment	-	4,973,531
Investments at fair value through other comprehensive income:		
Investments at fair value through other comprehensive income	28,312,390	-
	55,192,242	59,486,270
Financial liabilities:		
Financial liabilities at amortised cost:		
Accounts payable and other liabilities	16,450,984	17,333,711
	16,450,984	17,333,711

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortized cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the Consolidated Financial Statements *(continued)*

32 Fair value measurement (continued)
32.2 Fair value measurement of financial instruments (continued)

The financial assets measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2018

	note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Financial assets at fair value through profit or loss					
Quoted securities	a	455,313	-	-	455,313
Managed funds and portfolios	b	-	1,847,955	-	1,847,955
Investments at fair value through other comprehensive income					
Local quoted securities	a	3,366,063	-	-	3,366,063
Local unquoted securities	c	-	-	12,825,874	12,825,874
Foreign quoted securities	a	1,587,953	-	-	1,587,953
Foreign unquoted securities	c	-	5,373,813	5,158,687	10,532,500
		5,409,329	7,221,768	17,984,561	30,615,658

31 December 2017

	note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Financial assets designated at fair value through profit or loss					
Quoted securities	a	432,259	-	-	432,259
Managed funds and portfolios	b	-	1,734,589	-	1,734,589
Available for sale investments					
Local quoted securities	a	3,817,796	-	-	3,817,796
Local unquoted securities	c	-	-	11,782,249	11,782,249
Foreign quoted securities	a	1,926,844	-	-	1,926,844
Foreign unquoted securities	c	-	8,797,672	3,595,307	12,392,979
		6,176,899	10,532,261	15,377,556	32,086,716

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

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

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Managed funds and portfolios

The underlying investments of managed funds and portfolios primarily comprise of local quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

d) Financial liabilities

The Group does not have any financial liabilities at fair value.

Level 3 fair value measurements

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Opening balance	15,377,556	16,338,451
Transferred from cost	630,339	-
Other comprehensive income	2,004,252	(458,125)
reduction in share capital / Sale	(27,586)	(502,770)
Closing balance	17,984,561	15,377,556

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

Valuation techniques used for the instruments classified under levels 2 and 3 are stated below:

Investments at fair value through other comprehensive income and investment at fair value through profit or loss:

The fair value of financial instruments that are not traded in an active market (e.g. local unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices, market multiples and adjusted net book value to determine fair value.

Gains or losses recognized in the consolidated statement of profit or loss for the year are included in investment income.

Investments at fair value through other comprehensive income and investment at fair value through profit or loss: (continued)

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

33. CAPITAL MANAGEMENT OBJECTIVES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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

The Group monitors capital on the basis of the return on equity and is calculated as profit for the year attributable to the owners of the Parent Company divided by total equity attributable to the owners of the Parent Company, as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Profit for the year attributable to the owners of the Parent Company	**3,969,302**	3,223,553
Total equity attributable to the owners of the Parent Company	**83,957,502**	84,996,627
Return on equity	**4.73%**	3.79%

NIC Products