شركة الصناعات الوطنية ش.م.ك.ع

NATIONAL INDUSTRIES COMPANY KPSC

www.nicbm.com | ☎ 1 844 555

national_industries

Annual Report

2020

شركة الصناعات الوطنية ش.م.ك.ع

NATIONAL INDUSTRIES COMPANY KPSC

Annual Report

2020

www.nicbm.com
Tel: 1844555 - Fax: 24918052

H.H.Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

H.H.Sheikh

Michal Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince

H.H.Sheikh

Sabah Al-Khaled Al-Hamad Al-Sabah

The Prime Minister

Corporate Social Respnosibility

In Response to COVID-19 Crisis

In the effort of cooperating with the Governmental Institutions, NIC has provided the Ministry of Defense and the Military Facilities Engineering of the Kuwaiti Army, with the necessary construction materials needed to equip the Sabhan Quarry and Health Camp, as a part of the measures taken for confronting COVID-19 pendemic

Contents

Transportation and Delivery Service

Ready Mix Fleet

NIC Ready Mix Fleet was established with the rise of the concrete factory since 1960s. Since then, this fleet has been able to provide a homogeneous and strong Ready-mix concrete (RMC). Nowadays, this fleet is considered one of the largest ready-mix fleets in Kuwait. Further, The Ready Mix Fleet has high-capacity vehicles and longer Concrete pumps.

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

Client Service

Direct Sales Service

NIC is a forerunner in attracting all new product and service developments. NIC has updated the WhatsApp service and activated the Direct Sales Service, so that customers can inquire, learn about features and offers, and open purchase orders (POs), using whatsapp number 99001146

Chairman’s Message

Dear shareholders,

I would like to provide you with the Annual Report of the activities of the national industries company (K.S.C.P.) (NIC) of the 2020 fiscal year, which witnessed challenges and treats, such as the lower demand for the building materials and supplies sector as a result of covid-19 pandemic, which created stiff competition. fortunately, NIC has succeeded in maintaining its market share as the largest manufacturer of building materials and supplies in kuwait, in line with our aspirations, thanks to the efforts our employees.

Like other economic sectors, the building materials and supplies sector has felt the consequences of the COVID-19 pandemic, which has led to a reduction in the plants’ operating capacity along with lower demand, which was offset by higher costs.

The construction and building sector is still suffering from economic slowdown & stagnation due to the lack of government projects. we hope in the coming years that the government will introduce new projects. we also hope that the competent authorities will protect the national products especially in the field of building materials and supplies, from the dumping.

NIC will continue to strive to meet its goals by maximizing returns for its shareholders, raise production efficiency, and develop human capabilities to meet the challenges of this period by enhancing its current market position, and developing its products to keep pace with the future aspirations of nic’s shareholders.

In light of the Financial Results of 2020, the Board of Directors, in its meeting held on 17/3/2021, recommended the general assembly not to distribute profits to shareholders for the fiscal year ended on 31/12/2020.

In conclusion, we extend our sincere gratitude and appreciation to you for your trust in us. we would also like to thank colleagues from the Executive Management and all employees for their sincere efforts in developing the company, lifting performance and achieving returns for the general interest of nic and its honorable shareholders.

Abdulaziz Ibrahim Al-Rabiah
Chairman

Board of Directors Report 2020

NIC made sure to address the impacts of Covid-19 outbreak on the scope of NIC's work and activities. The most important priorities were to maintain employee safety, stop the virus spreading within NIC's Plants and to deal with the repercussions of covid-19 pandemic with more flexibility in order to overcome this period with minimal damage and losses and meet the market need regarding the Company's products.

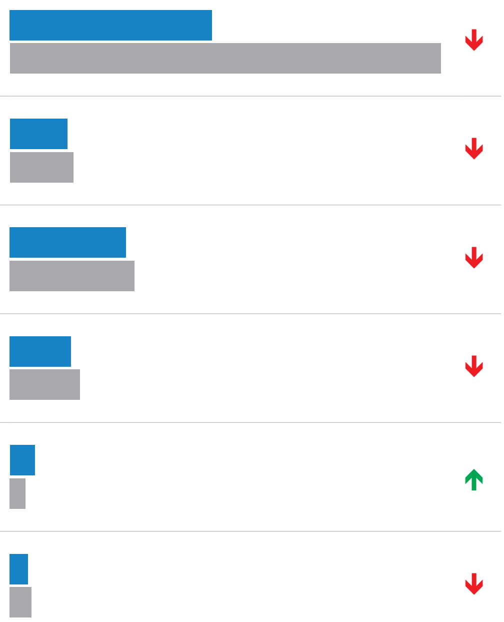
NIC's operational activity has been negatively affected by the Covid-19 spreading due to the disruptions caused by the low demand and limitation of new government projects in the country, which was offset by the fulfillment of NIC's obligations towards employees and workers.

As a result, NIC incurred losses of KWD 63,334 in 2020, a decline of 101% from 2019 figures. Investment Profits were also decreased by KWD 2.3 million. Further, the sales were decreased by 25% to be KWD 36.2 million, which amounted to KWD 48.1 million in 2019 because of declining sales of some Plants as a result of the above-mentioned covid-19 consequences, and sales of subsidiaries.

FIRST: SULAIBIYA GROUP OF PLANTS

In 2020, total sales were KWD 12.6 million compared to 2019 Total sales of KWD 19.1 million, a decline of 34% from the 2019 actual sales and a decline of 3% from the 2020 estimated sales.

Product	**Sales 2020**	Sales 2019	Ratio of sales of 2020 compared with 2019
Ready Mix	**5,318,035**	11,341,339	(53)%
Concrete Pipes	**1,509,106**	1,668,986	(10)%
Interlock	**3,058,890**	3,280,743	(7)%
Kerbstone & Cable Covers	**1,606,404**	1,847,913	(13)%
Cement Blocks & Moulds	**653,398**	408,593	60%
Yard Tiles	**480,808**	571,301	(16)%



SECOND: MINA ABDULLAH PORT GROUP OF PLANTS

In 2020, total sales were KWD 17.6 million compared to 2019 total sales of KWD 23.5 million, a shortage of 25% and a decline of 34% from the 2020 estimated sales.

Product	Sales 2020	Sales 2019	Ratio of sales of 2020 compared with 2019
Dehydrated Lime	**642,990**	1,419,235	(55)%
Hydrated Lime	**74,002**	56,369	31 %
Limestone	**1,660,583**	1,937,881	(14)%
Quarry	**68,826**	315,215	(78)%
Filler - Dolomite	**117,217**	377,871	(69)%
White Blocks (A.A.C.)	**6,282,974**	6,781,055	(7)%
Lintels	**356,930**	482,019	(26)%
Mortar	**304,828**	448,382	(32)%
Tile Adhesive - Roof Coating	**990,878**	1,220,819	(19)%
Cladding	**2,015,821**	1,748,296	15%
Plastic Pipes (PVC)	**1,939,186**	3,067,291	(37)%
HDPE Pipes	**984,403**	2,959,117	(67)%
Paints	**273,836**	387,331	(30)%
Internal Sales Cluncker, Dehydrated Lime, Hydrated Lime, Filler	**1,312,732**	1,968,832	(33)%
Transport	**451,100**	596,758	(24)%

THIRD: MOST IMPORTANT ACHIEVEMENTS DURING 2020

MOST IMPORTANT COMPLETED PROJECTS:

The main products have suffered from the covid-19 outbreak consequences, including the suspension of the government infrastructure projects currently implemented in order to initiate the approved and awarded projects. This was affected on 50% of infrastructure products (ready mix/ concrete pipes/ plastic and PE pipes and Sett (paving stone)) as any projects related to these projects have been postponed.

1) Mina Abdullah Port Group of Plants

1. Increasing the productive capacity of the Ready-Mix Concrete Plant and the surveyor to 8,000 bags per day. Now, robot is currently under development in order to stockpile production, while raising the productive capacity to 10,000 bags and reducing the number of regular workers.
2. Increasing the productive capacity of the plastic Plant in order to accommodate government projects, especially Housing Projects:
    a. Increasing 3 production lines (PVC) with a new mixer.
    b. Increasing the productive capacity of artesian well pipes from 200 m to 600 m per day by purchasing a Slotting Machine and a Threading Machine.
3. Making changes to the Sandlime & Decorative Bricks Plants for the production of hollow and solid cement bricks to produce standard quantities at competitive prices.
4. Dyes Plant: Developing new products in the dyes Plant regarding (decoration and adhesive paste) with modifying the specifications of the highest quality products at competitive prices..

2) SULAIBIYA Group of Plants:

1. Producing special cladding bricks with various surfaces, sizes and scales for the Kazma Camp Project.
2. Starting production of rainwater drainage manhole in an innovative way, applying the approved technical specifications of the Roads Authority, Ministry of labour, and starting supply of the Khaitan Housing project.
3. Developing products of the Flashing Plant in order to produce the Broken marble tiles in various sizes and colors and applying the coating and waxing system supplied by Local Poultry Companies.
4. Launching the wooden-effect tiles product, size (6 x 30 x 60), of various colors, to be brought to market early in 2021.

3) Information Technology (IT):

NIC was affected by Covid-19 pandemic for the period of 03.23.2020 -07.12.2020. This period was also marked by total and partial closure and curfew, which led to a change in the plans and objectives of the Information Technology Department in order to support emergency work, including as follows:

- Operating automated systems remotely and empowering quarantined individuals to perform their work from home.
- Providing Department of Administrative Affairs with laptops to work from home.
- Operating the payroll system remotely and preparing payrolls for banks.
- Preparing the programs for holding the General Meetings and preparing statements for attendees inventory and the percentage of shares represented by attendees, because the representative of the clearing company was not present.
- Supporting NIC's businesses and activities by providing visual communication technology for remote meeting through the Teams program

4) Financial Management:

- Providing senior management and Plants and sales management with periodic reports about cost analysis.
- Submitting the Financial Statements at their timeliness to the regulators.
- Agreeing with Boubyan Bank and activating the online payment service, as the monthly sales volume through the service reached KWD 200,000.
- completing the acquisition of a real estate complex in Shuwaikh Industrial Area.
- Managing cash liquidity and reducing the expenses related to NIC's labor.
- Reducing costs by restructuring NIC's workforce as well as reducing the overtime.

FOURTH: SUBSIDIARIES AND AFFILIATES

A. SUBSIDIARIES

1. National Building System Manufacturing Company
(Kuwait - 100% ownership)

- It was established on 15.06.2004 to be the executive arm of NIC for construction and building projects. The 2020 financial results showed (losses) of KWD 55,610 compared to profits of KWD 146,342 for 2019, noting that the total shareholders 'equity in NIC was KWD 579,846 with a capital of KWD 500,000 KD.

2. The National Ceramic Industries Co.
(Kuwait - ownership 86.4% of the capital of KD 15 million)..

- The Company incurred losses of KWD 1.04 million for 2020, compared to losses of KWD 1.04 million for 2019.
- Company's products have been approved by all Kuwaiti ministries.
- Company's products are included in the subsidized building materials and supplies of 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 incurred activity losses of SR 11.16 million for 2020 compared to losses of SR 5.39 million for 2019.
- Sales of 2020 have amounted to SAR 103,000, compared to SAR 2.2 million for the previous year.
- Shareholders' equity decreased to SR 71.62 million in 2020 compared to SR 82.79 million for the previous year.
- The company is suspended and some of its assets are being sold. Further, re-operation of the Riyadh Plant is being studied.

B. AFFILIATES:

1. Insulation Building Systems Plant Co.
(Insulating Brick Plant – Manama, Bahrain – % Ownership: 50% of the capital of BD 4 million).

- The company incurred losses of BD 376,000 in 2020, compared to losses of 171,000 in 2019.

2. OMANI GERMAN COMPANY for Building Materials LLC
(Sultanate of Oman - NIC Ownership 33,662%, Capital of OMR 3.55 million).

- The company is in liquidation.

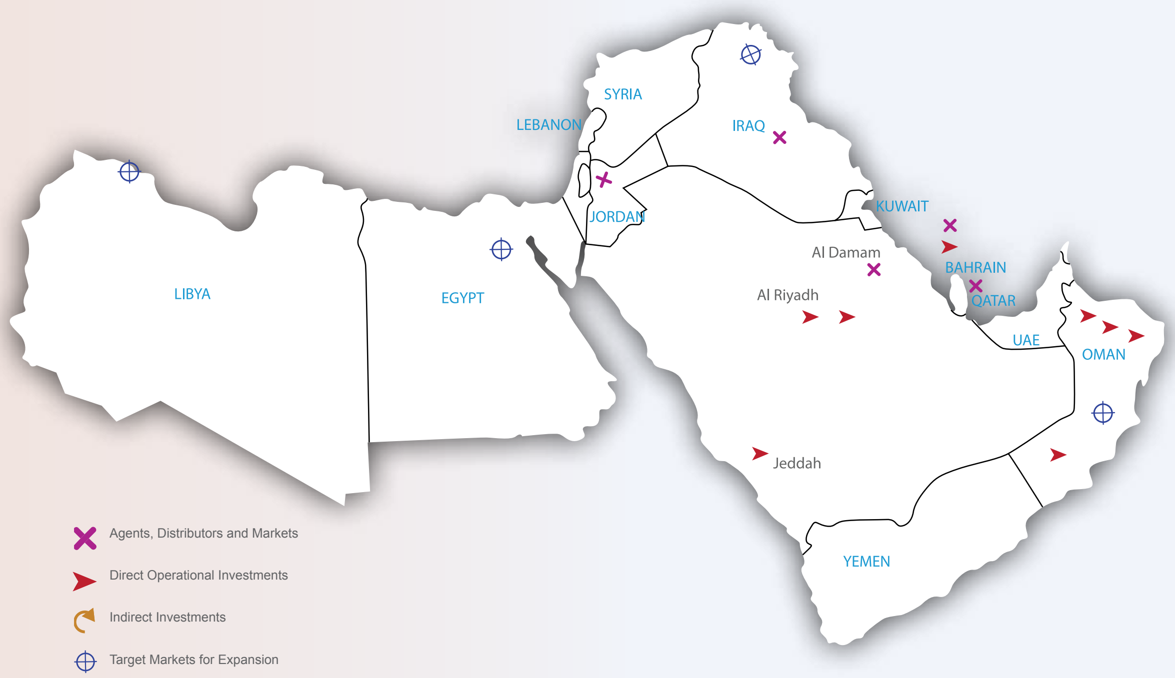
3. United Gulf Pipe Manufacturing CO. LLC (UGPM)
(Muscat, Sultanate of Oman – Ownership: 45% of the capital of OMR 4.5 million)

- All production lines have been put into operation.
- The company is working on marketing its products in all Gulf States.
- The company has incurred a loss of OMR 156,000 IN 2020 compared to a loss of OMR 1.428 million in 2019.
- Currently the company has contracts covering 2021 productive capacity, which augurs well for the future.

4. Al-Raya International Real Estate Company
(Kuwait - NIC Ownership 25.32%, Capital of KD 1.6 million).

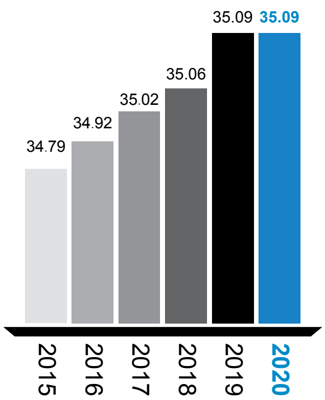
- The company incurred losses of KWD 84,000 for the fiscal year ended in 2020, according to the Financial Statements provided by Company's management, against losses of KWD 464,000 in 2019.
- The final task of liquidating NIC was assigned to Grant Thornton – Al-Qatami, Al-Aiban & Partners ("Grant Thornton").

Company's Regional Investments & Distributors

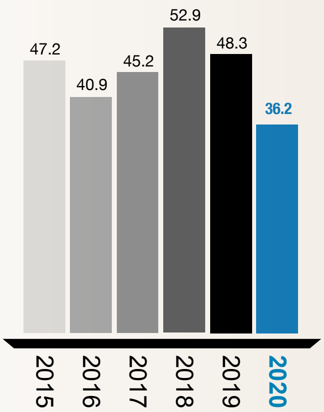


NIC Financial Performance (2015 - 2020)

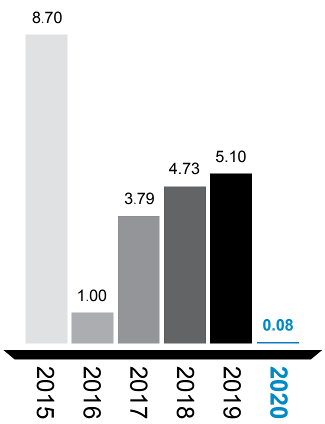
Item	2020	2019	2018	2017	2016	2015
Capital (KD)	35,089,162	35,089,162	35,058,421	35,021,251	34,924,657	34,793,545
Sales (KD)	36,193,369	48,348,951	52,923,210	45,141,856	40,997,520	47,189,831
Invested Assets (KD)	118,263,144	114,384,102	112,032,229	113,738,560	112,912,802	113,762,317
Shareholders' Equity (KD)	84,256,302	84,099.143	83,957,502	84,996,627	85,191,489	89,813,657
Net Profit (KD)	(63,334)	4,292,645	3,969,302	3,223,553	773,927	7,787,570
Dividend (fils)	(0.18)	12.26	11.33	9.19	2.22	22.30
Book Value (fils)	240	240	239	243	224	258
Return on Equity	%0.075	5.1 %	4.73%	3.79%	1%	8.7%
Dist. Profit Cash (fils)			10	8	10	20
Dist. Profit Bonus			-	-	-	-



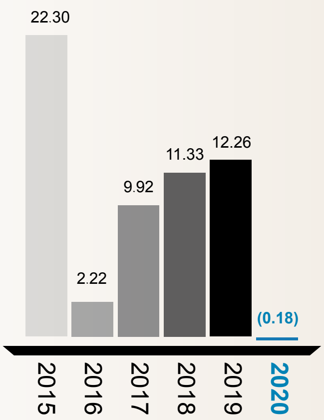
Capital *(KD million)*



Sales *(KD million)*



Return on Equity *(%)*



Dividend *(fils)*

Governance 2020

National Industries Company (K.P.S.C) keens to give high priority for the Governance principles related to the requirements of disclosure and transparency which ensures the protection of the rights of various shareholders, fair treatment of rights and duties towards all shareholders, and respect for moral and legal values in business behavior, which enhances growth in productivity in the long term and maximizes the return in value to shareholders.

In pursuit of this goal, the Company's Board of Directors approved the "Governance Manual"; Which is subject to continuous review and revision by the BOD in accordance with all legal and regulatory requirements related to the rules of professional conduct and governance.

Accordingly, the company commits to issue a governance report on an annual basis, in which it states the rules of professional conduct and values, and the policies and procedures binding on the members of the BOD and employees.

FIRST RULE
BUILDING A BALANCED BOARD STRUCTURE

Member	Position	Qualifications and Experience	Date of election
Mr. Abdulaziz Ibrahim Al-Rabiah	Chairman (Non-Executive)	Bachelors Degree	27/3/2019
Dr. Adel Khaled Al Subeih	Deputy Chairman and Managing Director (Executive)	Ph.D.	27/3/2019
Mr. Ahmad Mohammad Hassan	Director (Non-Executive)	Bachelors Degree	27/3/2019
Mr. Hamad Mohammed Al-Saad	Director (Non-Executive)	Bachelors Degree	27/3/2019
Mr. Abdullrahman Shaikhan Al-Farisi	Director (Independent)	Bachelors Degree	27/3/2019

Board of Directors meetings in 2020:

Member	Meeting 1 dated in 17/3/2020	Meeting 2 dated in 16/6/2020	Meeting 3 dated in 12/8/2020	Meeting 4 dated in 20/10/2020	Meeting 5 dated in 9/11/2020	Meeting 6 dated in 31/12/2020	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)	✓	✓	✓	✓	✓	✓	6
Mr. Hamad Mohammed Al-Saad (Director)	✓	✓	✓	✓	✓	✓	6
Mr. Hani M. Fadel (Board Secretary)	✓	✓	✓	✓	✓	✓	6

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

- The Board of Directors appointed Mr. Hani Mohamed El-Sherbiny, Secretary of the Board of Directors, in accordance with Board Decision No. 2 of 2019 among the company employees.
- The Secretary of the Board of Directors records, coordinates and saves all the minutes of the Board's meetings, records, books and reports submitted to and from the Board.
- The minutes are arranged sequentially and the location and date of the meeting are specified therein.
- The Secretary of the Board of Directors signs the minutes of meeting by himself and the members present.
- Meeting records are kept in two copies, a hardcopy and an electronically archived softcopy.

SECOND RULE
PROPER ASSIGNMENT OF TASKS, DUTIES AND RESPONSIBILITIES

The board of directors in NIC constitute the balancing point that helps in achieving the shareholders' goals and following up the Executive Management through the Board's and the Executive Management's tasks and responsibilities explained in the NIC's organizational structure. The Board of Directors seeks to achieve NIC's strategic goals by ensuring that the Executive Management has performed its mandated tasks fully and properly. The Executive Management endeavours to enhance the NIC's competitiveness, achieve high growth rates, maximize profits, and ensure that all decisions and actions of the Executive Management are always in favour of the shareholders. This is done by specifying the tasks, responsibilities, and duties of both Board members and the Executive Management in detail, as well as the authorities and powers mandated to the Executive Management.

NIC has defined the duties and powers of the Board of Directors and the members of the Executive Management by adopting the charter of the board of directors and the Board's Committees, Executive Management and the financial and administrative powers.

• **Board of Directors Duties and Achievements:**

During the fiscal year ending 31/12/2020, the Board of Directors held 6 meetings in addition to some side decisions, resulted to the following:

- Develops NIC's strategic plan and interim goals and oversees its implementation and follow-up.
- Discusses and approves the estimated NIC's balance sheet, as well as NIC's interim and annual financial statements.
- Develops and approves the annual plan for NIC's business.
- Supervises the NIC's Executive Management, including the CEO.
- The Board of Directors has clearly separated the Chairman and CEO, in order to ensure that the independence of the decisions made by either of them is not affected.
- The Board of Directors supervised and controlled the NIC's Executive Management and ensured that it performed the mandated tasks and duties in accordance with the policies approved by the Board of Directors in order to achieve NIC's objectives and goals.
- Forms Board's Committees and determines the mandates, powers and responsibilities of these committees
- Follows up the completion of NIC's businesses and activities periodically through periodic meetings held with NIC's Executive Management.
- Supervises the implementation of the administrative and financial regulations and systems and ensures their proper implementation.

BOARD'S COMMITTEES

First: The Internal Audit and Risk Management Committee:

The Board of Directors formed the committee at the Board of Directors meeting No. 3 of 2019 dated 5/12/2019

Committee Formation

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

- The committee held 4 meetings during 2020
- The legal quorum for committee's meetings shall be constituted when two members are present.
- The committee membership term is (3) years, or the board elections shall be established, whichever comes first.

Tasks and Achievements of Internal Audit and Risk Management Committee:

1. Auditing the periodic Financial Statements before submitting them to the Board of Directors.
2. Recommending the appointment and re-appointment or replacement of external auditors, determining their wages, following up on their work and studying their comments on NIC's Financial Statements.
3. Studying the accounting policy of NIC.
4. Evaluating the adequacy of the internal control systems applied in NIC
5. Technical supervision of the Internal Audit Department and recommendation of the appointment and dismissal of the Chief Audit Executive ("CAE").
6. Auditing and approving the proposed audit plans, and reviewing the results of the internal audit reports.
7. Ensuring that NIC adheres to laws, policies and regulations.
8. Preparing and reviewing risk management strategies and policies.
9. Ensuring availability of resources and systems for risk management.
10. Evaluating the systems and mechanisms for identifying, measuring and following up the risks that NIC may face.
11. Assisting the Board of Directors in determining and evaluating the NIC's acceptable risk level.
12. Reviewing the organizational structure of risk management.
13. Ensuring the independence of risk management personnel and ensuring that they have a full understanding of the NIC's own risks.
14. Preparing periodic reports on the nature of the risks that NIC may face.

Second: Nominations and Remuneration Committee:

The Board of Directors formed the committee at the Board of Directors meeting No. 3 of 2019 on 12/5/2019.

Formation of the committee:

Mr. Abdullrahman Shaikhan Al-Farisi	Committee Head
Mr. Abdulaziz Ibrahim Al-Rabiah	Member
Dr. Adel Khaled Al Subeih	Member
Mr. Hamad Mohammad Al-Saad	Member

- The committee held one meeting during 2020.
- The legal quorum for committee's meetings shall be constituted when two members are present.
- The committee membership term is (3) years, or the board elections shall be established, whichever comes first.

.

TASKS AND ACHIEVEMENTS
OF THE NOMINATION AND REMUNERATION COMMITTEE

- Recommending to accept the nomination and re-nomination for membership in the Board of Directors + the Board's committees + the Executive Management.
- Annual review of the needs of appropriate skills for membership of the Board of Directors.
- Attracting the applications of those wishing to hold executive positions in NIC.
- Developing a job description for executive members + and non-executive members + independent members.
- Proposing the nomination and re-nomination of independent members to be elected by the General Assembly, and ensuring that the independence is not absent from the independent member.
- Developing a remuneration policy for the Board members + Top executives.
- Determining remuneration segments for the NIC's employees.
- Annual review of the remuneration policy
- Preparing an annual report on the remuneration of the board members and the Executive Management members and submitting the report to the NIC's general assembly.

RIGHTS OF BOARD MEMBERS TO ACCESS INFORMATION AND DATA

- All available information to be discussed in any Board meeting will be delivered 3 working days prior to the meeting.
- A board member gets sufficient time to study and discuss the matters included in the meeting agenda.
- A board member has the right to access relevant and reliable information. He also may obtain such information from NIC, including direct dealing with the concerned persons in NIC.

THIRD RULE

SELECTION OF QUALIFIED PERSONS TO OBTAIN MEMBERSHIP IN THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

- The Nomination and Remuneration Committee consisted of 4 board members. It is headed by the independent member. The members who have appropriate professional and administrative experiences have been selected in accordance with the nature of the committee and NIC's business in order to accommodate all the technical requirements and developments in the workflow of NIC.
- The policy of granting remuneration and incentives in NIC considers the consistency of remuneration with NIC's strategy and objectives and with its size, nature and degree of risks. NIC takes into account the practices of other companies and Practices prevailing and followed-up in the labor market in determining the remuneration, while avoiding Unjustified remuneration increase.
- Remunerations are fair and proportionate to the member's competencies, tasks, duties and responsibilities undertaken by members of the Board of Directors or Executive Management, in addition to the goals set by the board of directors to be achieved during the fiscal year.
- Remunerations are determined based on the level of the Post, the tasks, duties and responsibilities of the employee, academic qualifications, practical experiences, skills, and level of performance.

REPORT ON REMUNERATIONS GRANTED TO MEMBERS OF BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

First: Remuneration of Board Members:

In 2020, the total remuneration offered to the members of the board of directors was KWD 150,000.000, subject to the approval of the shareholders during NIC's General Meeting.

Remunerations and Benefits of Board Members

	Remunerations and benefits through the parent company			Remunerations and benefits through subsidiaries			
	Fixed Remunerations and Benefits (KWD)	Variable Remunerations and Benefits (KWD)		Fixed Remunerations and Benefits (KWD)		Variable Remunerations and Benefits (KWD)	
Total nos. of members	Medical insurance	Annual Bonus	Committees' Remunerations	Medical insurance	Total monthly salaries during the year	Annual Bonus	Committees' Remunerations
5	–	150,000	–	–	–	–	–

Second: Remuneration of the CEO, the General Manager, the CFO, and four Top executives:

	Remunerations and benefits through the parent company							Remunerations and benefits through subsidiaries						
	Fixed Remuneration and Benefits (KWD)						Variable Remuneration and Benefits (KWD)	Fixed Remuneration and Benefits (KWD)						Variable Remuneration and Benefits (KWD)
Total number of executive positions	Monthly salaries (total during the year)	Medical insurance	Annual tickets	housing allowance	Transportation allowance	Children education allowance	Annual bonus (shares)	Monthly salaries (total during the year)	Medical insurance	Annual tickets	housing allowance	Transportation allowance	Children education allowance	Annual bonus (shares)
7	KD 611,018	–	–	–	KD 7,440	–	309,418 Shares	–	–	–	–	–	–	–

- During 2020, there were no significant deviations from the remuneration policy in force in NIC.

FOURTH RULE
ENSURING THE INTEGRITY OF FINANCIAL REPORTS

Written Undertakings Submitted by Board of Directors and Executive Management in the soundness and Integrity of Financial Reports:

The Board of Directors is ensuring the integrity of financial reports by ensuring the independence and integrity of the external auditor and the existence of an internal audit unit that would prepare and submit reports to the Board of Directors through the Risk and Audit Committee. The Board of Directors also is setting up sound and effective systems for risk management and internal control.

According to the rules of integrity of financial statements and reports, the Executive Management, according to its best knowledge, insured the fair presentation of the of financial statements and reports to the board of directors, who in turn insured the fair presentation of the of financial statements to the shareholders, after performing its supervisory role and due diligence to detect the validity, soundness and integrity of the financial statements.

Overview of Implementation of Requirements of Internal Audit and Risk Management Committee's formation:

The Internal Audit and Risk Management Committee consisted of three members. One of its members is independent. It has been taken into account that its membership shall not be obtained by the chairman or the executive board members. It has also been taken into account that the committee members shall include at least one member with educational background and practical experience in the financial and investment fields. There is no conflict between the recommendations of the Internal Audit and Risk Management Committee and the decisions of the Board of Directors issued during the fiscal year ended on 31/12/2020.

Independence and Impartiality of External Auditor:

The auditor is appointed upon the approval of the general assembly with a recommendation of the board of directors, after the internal audit and risk management committee made sure that he was listed in the special register of the authority and fulfilled all the conditions set forth in the requirements of the authority's decision regarding the registering auditors' registration system.

During the General Assembly meeting held on 10.06.2020, the NIC's shareholders agreed to appoint Mr. Abdullatif Mohammed Al-Aiban from Grant Thornton – Al-Qatami, Al-Aiban & Partners, as NIC's auditor in 2020, allowing the Board of Directors to determine his salary.

The office of Grant Thornton – Al-Qatami, Al-Aiban & Partners is considered qualified and completely independent of NIC and the Board of Directors. The external auditor conducts an independent annual audit and a quarterly audit in order to insure that the financial statements are in accordance with the International Financial Reporting Standards (IFRS) approved by the regulators in the State of Kuwait.

FIFTH RULE

ESTABLISHING SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

- An independent risk management unit has been established and is affiliated with the board of directors. NIC's board of directors is striving to strengthen internal control in NIC in order to provide the necessary protection from internal or external risks.
- The Board of Directors has established the Internal Audit and Risk Management Committee of 3 members, headed by a non-executive board member. It has been taken into account that the Chairman shall not be a member of this committee for more powers and independence. The committee membership term is (3) years, or the board elections shall be established, whichever comes first.
- The Board of Directors has approved (internal audit policies and systems) in order to provide adequate and appropriate controls and guarantees to support NIC's activities, and to emphasize the independence of the internal audit unit, as it is considered a key factor in the audit tasks' success. The internal audit unit submits its reports to the internal audit committee and the NIC Board's Risk Management.
- The NIC's internal audit unit, in coordination with the Board's Internal Audit and Risk Management Committee, verifies the adequacy and effectiveness of NIC's internal control systems.

SIXTH RULE

PROMOTING PROFESSIONAL CONDUCT AND ETHICAL VALUES

- NIC is interested in establishing standards of professional conduct that all company's employees adhere to in all transactions, and in all places in which they conduct their duties. In the event that there are any doubts concerning non-compliance with the code of ethics, NIC strives to motivate and create a culture of reporting of non-compliance cases immediately to the competent authority. NIC ensures that no accountability measures of any kind are taken against any person informing of his concerns or doubts about the occurrence of any irregularities in NIC.
- The Board of Directors approved a (Manual of Conflict of Interest Policies and Procedures) in order to avoid any conflict of interest. The Members of the Board of Directors and Executive Management and all NIC's employees are bound this manual and its provisions.
- A member of the Board of Directors shall disclose any conflict of interest cases.
- A board member shall obtain the prior approval of the NIC's general assembly to have a direct or indirect interest in concluding and signing contracts and performing legal actions in the name and for the account of NIC in accordance with the laws and regulatory decisions.

SEVENTH RULE

ACCURATE AND TIMELY DISCLOSURE AND TRANSPARENCY

-- NIC is committed to accurate and timely disclosure in order to protect investors and promote their trust in NIC.
- Disclosure shall be made through the websites of Boursa Kuwait (formerly the Kuwait Stock Exchange (KSE)) and NIC.
- Members of the NIC's Board of Directors and Executive Management shall disclose in a special register established for that purpose.
- NIC shall keep a special record including remunerations, salaries and incentives granted to members of the Board of Directors and Executive Management. The NIC's shareholders may have access to this record, free of charge.
- Members of the Board of Directors and the Executive Management of NIC shall maintain strict confidentiality of all NIC's business and activities.
- The Investor Relations Unit (IRU) was established to play its role in organizing investor affairs in NIC as the main point of contact with the current shareholders and potential investors. IRU shall also provide those current shareholders and potential investors with the necessary data and information.
- NIC has developed the infrastructure in using information technology in order that all shareholders and investors have access to modern information in a timely manner, which helps them in exercising their rights through NIC's website. This NIC's website contains detailed information about NIC, including information about the Board of Directors and Executive Management and other information about the NIC's main activities and details of the financial statements. In addition, the NIC's website has a section for corporate governance and disclosures.

EIGHTH RULE
RESPECTING RIGHTS OF SHAREHOLDERS

- NIC's board of directors makes sure that the NIC's shareholders effectively participate in making the decision. The board of directors shall also respect their rights, including their right to attend the general assemblies, to discuss issues brought to the attention of the general assembly, to vote on the resolutions of the general assembly, to elect and dismiss Board members, to reserve and object to the resolutions of the general assembly, to control the management of NIC, to discuss the agenda items, and to address questions to the board members and to the auditor.
- NIC has signed and executed an agreement with the Kuwait Clearing Company (KCC) in order to keep a special record of its shareholders with KCC. Accordingly, KCC does everything related to NIC's shareholders, including:
    1. Creating an index including the shareholders' names and Tel. Nos. and the number of shares.
    2. Updating the data in the shareholders' registry for all trading operations that take place on the Boursa Kuwait.
    3. Carrying out procedures for transferring ownership and preparing Waiver declarations for sales or purchases after approval from the competent authorities.
    4. All procedures related to lost or damaged ID cards or issuance of Issuing a replacement for damaged or lost ID cards.
    5. All procedures related to the distribution of cash dividends and bonus shares.
    6. Providing NIC with daily and monthly reports on the shareholders' balances.
    7. Providing NIC with received and non-received earnings reports monthly.
- NIC initiated to establish a database for shareholders. NIC annually sends the annual report, financial statements and invitation cards to attend the General meetings via shareholders' e-mail registered with it, which encourages shareholders to participate and vote in the General meetings.

NINTH RULE
UNDERSTANDING ROLE OF STAKEHOLDERS

- The rights of stakeholders in NIC are protected in accordance with laws providing them with the opportunity to obtain actual compensation in the event of any violations of any of their rights.
- The Board of Directors approved a manual of policies and procedures for protecting the rights of stakeholders, for necessary actions.
- NIC shall respect and protect the rights of stakeholders according to the relevant laws in force in the State of Kuwait, such as the Labor Law, the Companies Law and its executive regulations, as well as the contracts made between both parties.
- NIC confirms that the stakeholders have the right to access to the information available and issued by NIC through printed annual reports distributed to shareholders before holding the general meeting, as well as publishing them on NIC's website.
- NIC is encouraging the participation of stakeholders in all the activities of NIC, and enhancing cooperation with stakeholders in order to contribute to compliance with the goals and values of NIC and society and achieving development goals.
- NIC's website acts as a platform for any concerned entity wishing to communicate with NIC and reporting any violations or complaints submitted by the stakeholders, provided that the contents of the complaint shall be kept in strict confidentiality and the complainant shall be protected.

TENTH RULE
ENHANCING AND IMPROVING PERFORMANCE

- The members of the NIC's Board of Directors and the Executive Management are interested in continuous training and participation in conferences and seminars in order to develop their skills and experiences in the NIC's scope of work and its specialized activities.
- NIC adopts (remote training in the implementation of some training programs for members of the Board of Directors and Executive Management through the courses organized by the Kuwait Foundation for the Advancement of Sciences (KFAS), and the Abdulaziz Hamad Al-Saqr Center for Development affiliated to Kuwait Chamber for Commerce and Industry (KCCI), in addition to online training websites, such as: (COURSERA), (UDEMY) and (EDx).
- NIC prepares an annual training plan for the employees. The courses are held either within Kuwait or abroad. The local authorities (Kuwait Foundation for the Advancement of Sciences, etc.) shall be coordinated with. NIC also ensures that the concerned employees attend the workshops organized by the Boursa Kuwait.
- The Board's Nomination and Remuneration Committee makes an annual assessment of the performance of the Board as a whole and the performance of each member separately, based on objective performance indicators.
- Members of NIC's Executive Management are subject to an annual performance assessment based on objective performance indicators of the Executive Management.
- The Board of Directors is creating corporate values within NIC by developing and providing mechanisms and procedures achieving the strategic goals of NIC and improving performance ratings, which effectively contributes to creating corporate values among employees and motivating them to ongoing work.

The most prominent corporate values in the National Industries Company (KSCC) (NIC) are as follows:

(Transparency, credibility, integrity, fairness, accountability, teamwork, respect, innovation, competitiveness, quality, development and continuous improvement).

ELEVENTH RULE
IMPORTANCE OF SOCIAL RESPONSIBILITY

The Board of Directors has adopted a guide on social responsibility policies, for necessary actions. the National Industries Company (K.S.C.P) (NIC) believes in the importance of achieving a balance between the NIC's objectives of and other goals that society seeks to achieve, by contributing to community service and assisting in the social development process. NIC develops a social message aimed at enriching its contributions to community service as it realizes that this community has rights and duties on its members, whether they are individuals or companies, which was achieved through several channels according to the following:

1. Contributing to meet the needs of community in the field of employment and training.
2. Providing a safe and stable work environment for all employees in the various NIC's subsidiaries to enable them job security and stability.
3. Creating a national workforce with the proportion determined by the laws and regulations governing in order to create opportunities for national graduates to obtain suitable work and support them with special programs for training and development in order to uplift them to the highest levels of employment.
4. Supporting community and protecting the environment, in terms of commitment to the compatibility of the product provided by NIC to the community with the environment. NIC is continuing its efforts in adopting and implementing many community service programs that are consistent with NIC's mission and values.
5. The National Industries Company (KPSC) launched a national initiative to support and encourage the use of energy-saving LED lighting systems, which achieve savings for the citizen and the State at the same time.

To that end, NIC offered the LED lights for sale to the public in NIC's three sales centers at nominal prices below the market prices in order to promote their use.

6. NIC provides specific support for public schools, kindergartens, and charities.
7. NIC supports some graduation projects related to its scope of work, and enrolls students to prepare studies and master's theses on NIC's various business and activities.
8. NIC ensures, through various pillars, to support and save energy by applying thermal insulation and confirming its impact on saving energy in Kuwait.

Among the most prominent mechanisms to highlight the company's role:

- The company's website.
- Daily newspapers.
- Board of Directors' report containing the governance report.
- The company's website on social media on the Internet.

Internal Audit Committee's 2020 Report

STATEMENT OF HEAD OF COMMITTEE

As the National Industries Company (K.S.C.P) adheres to Law No. 3 of 2019 on establishing the Capital Markets Authority and its executive regulations, as amended, and the provisions of chapter 5 of the Executive Regulations of the Capital Markets Authority (Corporate Governance), it has created the Internal Audit Committee as one of the Board's Committees. The role of the Audit Committee is mainly to assist the Board of Directors in performing its responsibilities related to the integrity of the interim and annual financial statements, follow up the performance of the external auditors and monitor the functionality of the internal audit, in addition to the ethical standards that NIC follows in a form that is appropriate to the regulatory requirements in force in this regard.

Formation of Internal Audit Committee:

The Board of Directors formed the Internal Audit Committee, pursuant to Board Resolution No. 13 of 2016, as follows:

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

The committee held 4 meetings during 2020, as follows:

Name of member	Meeting (1) held in 17/3/2020	Meeting (2) held in 16/6/2020	Meeting (3) held in 12/8/2020	Meeting (4) held in 9/11/2020	Number of meetings
Mr. Ahmad Mohammed Hassan Committee Head	✓	✓	✓	✓	4
Mr. Abdul Rahman Shikhan El Farisi Member	✓	✓	✓	✓	4
Mr. Hammad Mohammed El Saad Member	✓	✓	✓	✓	4

It is of our pleasure to present herein the report that states the achievements of the committee during the financial year ended in 31/12/2020 detailed as the following:

Internal Audit and Risk Management Committee's Duties and Terms of Reference

1. Auditing the periodic Financial Statements before submitting them to the Board of Directors.
2. Recommending the appointment and re-appointment or replacement of external auditors, determining their wages, following up on their work and studying their comments on NIC's Financial Statements.
3. Studying the accounting policy of NIC.
4. Evaluating the adequacy of the internal control systems applied in NIC
5. Technical supervision of the Internal Audit Department and recommendation of the appointment and dismissal of the Chief Audit Executive ("CAE").
6. Auditing and approving the proposed audit plans, and reviewing the results of the internal audit reports.
7. Ensuring that NIC adheres to laws, policies and regulations.
8. Preparing and reviewing risk management strategies and policies.
9. Ensuring availability of resources and systems for risk management.
10. Evaluating the systems and mechanisms for identifying, measuring and following up the risks that NIC may face.
11. Assisting the Board of Directors in determining and evaluating the NIC's acceptable risk level.
12. Reviewing the organizational structure of risk management.
13. Ensuring the independence of risk management personnel and ensuring that they have a full understanding of the NIC's own risks.
14. Preparing periodic reports on the nature of the risks that NIC may face.

Achievements of Internal Audit and Risk Management Committee

1. **Auditing and approval of the Interim and Annual Financial Statements:**

   The committee audited the NIC's interim and annual Financial Statements, as well as the auditors' reports, before submitting them to NIC's board of directors

2. **Auditing and approving the NIC's 2020 estimated balance sheet:**

   The committee is auditing the NIC's annual estimated balance sheet and submitted it to be presented to NIC's board of directors.

3. **Recommending the appointment of an external auditor:**

   The Internal Audit and Risk Management Committee submitted a recommendation to the Board of Directors to appoint Mr. Abdullatif Mohammed Al-Aiban from Grant Thornton – Al-Qatami, Al-Aiban & Partners, as NIC's auditor in 2020.

Society Connection

Mobile Exhibition

Beside the showrooms, NIC has established a mobile exhibition which includes samples of its products and it can access new locations so that it is easy for the customer to inspect his required products and test them in order to facilitate the ordering and buying process.

Consolidated Financial Statements and Independent Auditor's Report

National Industries Company - KPSC
and Subsidiaries - KUWAIT
31 December 2020

Contents

Grant Thornton
القطامي والعيبان وشركاهم
An instinct for growth™

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 2020, 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 2020, 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 consideration, that the Group expects to be entitled as per the customer contract. The Group recognizes revenue when it transfers control over 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 4.5). 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's 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 30.

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 procedures over the receivables' collection processes, and testing the adequacy of the Group's provisions against trade receivables by challenging the relevant assumptions and factors used to measure the expected credit losses, taking account of our own knowledge of recent collections experience in this industry and also historical data from the Group's previous collections experience. 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 19.

Valuation of Unquoted financial assets at fair value through OCI

The Group's investments in unquoted financial assets at fair value through OCI represent a significant part of the total assets. Due to their unique structure and terms of such investments, the valuation of such investment 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 investments 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 such unquoted financial assets at fair value through OCI are included in Note 15.

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 2020

Management is responsible for the "other information". "Other information" consists of the information included in the Group's Annual Report for the year ended 31 December 2020, 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 Group's 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 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, the Parent Company's 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 areappropriate 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 statements 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 2020 that might have had a material effect on the business or financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton - Al-Qatami,
Al-Aiban & Partners

Kuwait
17 March 2021

Consolidated Statement of Profit or Loss

	Notes	Year ended 31 Dec. 2020 KD	(Adjusted) Year en ded 31 Dec. 2019* KD
Continued Operations Revenue			
Revenue from sales and contacts with customers	7	36,193,369	48,096,803
Cost of sales and contacts with customers		(30,097,611)	(39,255,124)
Gross profit		6,095,758	8,841,679
Other operating income	8	832,533	750,086
Investment income	9	114,948	2,391,491
Valuation profit/(losses) of Investment property	13	(192,287)	(492,953)
Share of results of associates	14	48,800	(13,900)
Foreign exchange profit/(loss)		2,252	(677)
		6,902,004	11,475,726
Expenses and other changes			
Distribution expenses		(2,316,186)	(2,517,176)
General, administrative and other expenses		(4,153,745)	(3,581,406)
Finance costs		(60,440)	(111,129)
Impairment loss in value of investments in associates	14	-	(63,480)
Charge of provision for doubtful debts	19	(190,207)	(367,391)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		181,426	4,835,144
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(41,996)
Provision for National Labour Support Tax (NLST)		(8,283)	(139,719)
Provision for Zakat		(3,188)	(41,844)
Provision for Directors' remuneration		-	(150,000)
Profit for the year from continued operations		169,955	4,461,585
Discontinued operations			
Loss for the year from discontinued operations	6.2	(900,049)	(434,742)
Attributable to:			
Owners of the Parent Company		(63,334)	4,292,644
Non-controlling interests		(666,760)	(265,801)
(Loss)/profit for the year	10	(730,094)	4,026,843
Basic earnings/(loss) per share attributable to the owners of the parent company			
- From continued operations		1.11	12.93
- From discontinued operations		(1.29)	(0.62)
Total - Fils		(0.18)	12.31
Diluted earnings/(loss) per share attributable to the owners of the Parent Company	10		
- From continued operations		1.10	12.89
- From discontinued operations		(1.28)	(0.62)
Total - Fils		(0.18)	12.27

* Amounts shown here do not correspond with the previously reported consolidated financial statements for the year ended 31 December 2020 as a result of adjustments made for discontinued operations as detailed in note 6.2

The notes set out on pages 36 to 77 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
(Loss)/profit for the year	**(730,094)**	4,026,843
Other comprehensive income/ (loss):		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences from translation of foreign operations	**5,187**	(41,641)
Share of other comprehensive loss of associates	**(3,660)**	(1,371)
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Investments at fair value through other comprehensive income:		
- Net change in fair value during this year	**3,529,681**	(677,662)
Total other comprehensive income /(loss)	**3,531,208**	(720,674)
Total comprehensive income for the year	**2,801,114**	3,306,169
Total comprehensive income /(loss) attributable to:		
Owners of the Parent Company	**3,465,808**	3,575,058
Non-controlling interests	**(664,694)**	(268,889)
	2,801,114	3,306,169

The notes set out on pages 36 to 77 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	31 Dec. 2020 KD	31 Dec. 2019 KD
Assets			
Non-current assets			
Property, plant and equipment	11	22,340,769	31,450,939
Right of use Assets	12	4,844,593	1,716,893
Investments properties	13	4,800,000	1,720,000
Investment in associates	14	1,581,739	1,776,631
Investments at fair value through other comprehensive income	15	29,311,867	26,268,645
Murabha investment	16	-	4,917,764
		62,878,968	67,850,872
Current assets			
Murabha investment	16	4,851,974	-
Inventories and spare parts	17	22,364,356	20,886,159
Investments at fair value through profit or loss	18	2,150,699	2,623,596
Accounts receivable and other assets	19	11,328,639	13,277,061
Fixed deposits	20	1,050,000	1,088,979
Cash and bank balances	21	7,326,339	8,601,342
		49,072,007	46,477,137
Assets included in disposed group classified as held for sale	6.2	6,312,169	-
Total assets		118,263,144	114,328,009
Equity and liabilities			
Equity			
Share capital	22	35,089,162	35,089,162
Share premium	22	32,565,638	32,565,638
Treasury shares	23	(253,830)	(364,720)
Legal reserve	24	5,984,124	5,984,124
Voluntary reserve	24	668,313	668,313
Treasury shares reserve		9,202	11,292
Staff bonus shares reserve	32	316,465	235,375
Other components of equity	25	9,934,380	6,405,238
(Accumulated losses)/retained earnings		(57,152)	3,504,721
Total equity attributable to the owners of the Parent Company		84,256,302	84,099,143
Non-controlling interests	6	4,050,146	4,714,840
Total equity		88,306,448	88,813,983
Non-current liabilities			
Provision for land filling expenses	26	512,194	483,071
Lease liability - non-current portion	27	3,009,931	795,291
Provision for employees' end of service benefits		6,960,766	6,685,502
		10,482,891	7,963,864
Current liabilities			
Due to bank	21	1,404,610	304,767
lease liability - current portion	27	1,484,795	524,811
Murabha payable	28	-	507,154
Accounts payable and other liabilities	29	16,048,000	16,213,430
		18,937,405	17,550,162
Liabilities included in disposed group classified as held for sale	6.2	536,400	-
Total liabilities		29,956,696	25,514,026
Total equity and liabilities		118,263,144	114,328,009

Abdul Aziz Ibrahim Al-Rabia
Chairman

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

The notes set out on pages 36 to 77 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 25) KD	Retained earnings/ (accumulated losses) KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2020	35,089,162	32,565,638	(364,720)	5,984,124	668,313	11,292	235,375	6,405,238	3,504,721	84,099,143	4,714,840	88,813,983
Cash dividends (note 31)	-	-	-	-	-	-	-	-	(3,498,539)	(3,498,539)	-	(3,498,539)
Purchase of treasury shares	-	-	(70,267)	-	-	-	-	-	-	(70,267)	-	(70,267)
Cost of share-based payments (note 32)	-	-	-	-	-	-	260,157	-	-	260,157	-	260,157
Issue of staff bonus shares (note 32)	-	-	181,157	-	-	(2,090)	(179,067)	-	-	-	-	-
Transactions with shareholders	-	-	110,890	-	-	(2,090)	81,090	-	(3,498,539)	(3,308,649)	-	(3,308,649)
Loss for the year	-	-	-	-	-	-	-	-	(63,334)	(63,334)	(666,760)	(730,094)
Other comprehensive income for the year	-	-	-	-	-	-	-	3,529,142	-	3,529,142	2,066	3,531,208
Total comprehensive income/ (loss) for the year	-	-	-	-	-	-	-	3,529,142	(63,334)	3,465,808	(664,694)	2,801,114
Balance as at 31 December 2020	35,089,162	32,565,638	(253,830)	5,984,124	668,313	9,202	316,465	9,934,380	(57,152)	84,256,302	4,050,146	88,306,448

	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 25) KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2019	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
Cash dividends (note 31)	-	-	-	-	(386,160)	-	-	-	(3,107,082)	(3,493,242)	-	(3,493,242)
Purchase of treasury shares	-	-	(181,899)	-	-	-	-	-	-	(181,899)	-	(181,899)
Cost of share-based payments (note 32)	-	-	-	-	-	-	241,724	-	-	241,724	-	241,724
Issue of staff bonus shares (note 32)	30,741	36,425	216,752	-	-	9,353	(293,271)	-	-	-	-	-
Proceeds on incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	350	350
Transactions with shareholders	30,741	36,425	34,853	-	(386,160)	9,353	(51,547)	-	(3,107,082)	(3,433,417)	350	(3,433,067)
Profit/(loss) for the year	-	-	-	-	-	-	-	-	4,292,644	4,292,644	(265,801)	4,026,843
Other comprehensive loss for the year	-	-	-	-	-	-	-	(717,586)	-	(717,586)	(3,088)	(720,674)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	-	(717,586)	4,292,644	3,575,058	(268,889)	3,306,169
Realized gains from sale of investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(145,317)	145,317	-	-	-
Transfer to Reserve	-	-	-	466,620	466,620	-	-	-	(933,240)	-	-	-
Balance as at 31 December 2019	35,089,162	32,565,638	(364,720)	5,984,124	668,313	11,292	235,375	6,405,238	3,504,721	84,099,143	4,714,840	88,813,983

The notes set out on pages 36 to 77 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 Dec. 2020 KD	(Adjusted) Year ended 31 Dec. 2019 KD
OPERATING ACTIVITIES			
Profit for the year on the continued operations		**169,955**	4,461,585
Adjustments:			
Depreciation of property, plant and equipment		**3,284,121**	3,119,334
Depreciation of right of use Assets		**886,731**	1,346,205
Investment property valuation (profit)/losses		**(48,800)**	13,900
Loss on write off of property, plant and equipment		**1,841**	1,390
Share of results of associates		**192,287**	492,953
Impairment loss in value of an associate		**-**	63,480
Dividend income from investments at fair value through other comprehensive income		**(307,610)**	(1,675,095)
Dividend income from investments at fair value through profit or loss		**(79,301)**	(82,840)
Income from murabaha investment		**(193,936)**	(245,905)
Cost of share based payment		**260,157**	241,724
Interest income and other income		**(6,994)**	(8,804)
Finance costs		**60,440**	111,129
Foreign exchange loss on non-operating assets and liabilities		**9,037**	(33,648)
Provision for land filling expenses		**29,123**	32,053
Charge of provision for doubtful debts -net		**190,207**	367,391
Provision for employees' end of service benefit		**932,481**	908,583
		5,379,739	9,113,435
Changes in operating assets and liabilities:			
Inventories and spare parts		**(1,502,611)**	521,629
Investments at fair value through profit or loss		**472,897**	(320,328)
Accounts receivable and other assets		**967,686**	(463,690)
Accounts payable and other liabilities		**1,350,292**	(445,428)
Operating cash flow		**6,668,003**	8,405,618
Employees' end of service benefit paid		**(657,217)**	(401,377)
Net cash from continuing operations		**6,010,786**	8,004,241
Net cash (used in)/from discontinued operations	6.2	**(1,947,551)**	167,935
Net cash flows from operating activities		**4,063,235**	8,172,176

The notes set out on pages 36 to 77 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)

	Notes	Year ended 31 Dec. 2020 KD	(Adjusted) Year ended 31 Dec. 2019 KD
INVESTING ACTIVITIES			
Additions of property, plant and equipment		(1,801,527)	(3,338,048)
Purchase of and additions to investment property		(3,031,200)	(1,404,900)
Purchase of investments at fair value through other comprehensive income		(246,702)	(250,000)
Proceeds from capital reduction of an associate		-	341,820
Proceeds from dividends of an associate		-	253,200
Proceeds from sale/redemption of investments at fair value through OCI		733,161	1,287,083
Murabaha Investment		65,790	65,789
Dividend income received from investments at fair value through other comprehensive income		281,018	1,583,170
Dividend income received from investments at fair value through profit or loss		79,301	82,840
Fixed deposits		38,979	461,697
Income received from murabaha investments		201,858	215,186
Interest income and other income received		6,994	8,804
Net cash used in continuing operations		(3,672,328)	(693,359)
Net cash from/(used in) discontinued operations	6.2	2,496,152	(227,473)
Net cash flows used in investing activities		(1,176,176)	(920,832)
FINANCING ACTIVITIES			
Murabaha payable		(507,154)	507,154
Purchase of treasury shares		(70,267)	(181,899)
Finance costs paid		(60,440)	(87,610)
Lease liability paid		(614,795)	(1,497,156)
Dividends paid		(3,445,984)	(3,454,826)
Net cash flows used in financing activities		(4,698,640)	(4,714,337)
Net (decrease)/increase in cash and cash equivalents		(1,811,581)	2,537,007
Cash and cash equivalents at beginning of the year		8,296,575	5,744,904
Cash and cash equivalents attributable to the disposed group	6.2	(563,265)	14,664
Cash and cash equivalents at end of the year	21	5,921,729	8,296,575

* Amounts shown here do not correspond with the previously reported consolidated financial statements for the year ended 31 December 2020 as a result of adjustments made for discontinued operations as detailed in note 6.2

The notes set out on pages 36 to 77 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 Boursa Kuwait. 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 were authorised for issue by the board of directors of the Parent Company on 17 March 2021 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 2020 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	Effective for annual periods beginning
IAS 1 and IAS 8 - Amendments - Definition of Material	1 January 2020
IFRS 16 - Amendments - Covid 19 Rent Related Concessions	1 June 2020

Notes to the Consolidated Financial Statements *(continued)*

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

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. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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

IFRS 16 - Amendments- COVID19 Rent Related Concessions

IFRS 16 contains specific requirements when accounting for changes to lease payments and rent concessions are in the scope of these requirements. Lessees are required to assess whether rent concessions are lease modifications, and if they are, there is specific accounting to be applied. However, applying these requirements to potentially a significant number of leases could be difficult, particularly from a practical perspective due to pressures resulting from the pandemic.

The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. The relief is only for lessees that are granted these rent concessions. There are no changes for lessors.

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.
- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease

The application of the 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 consolidated financial statements, 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 consolidated financial statements.

Standard or Interpretation	Effective for annual periods beginning
Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 - Amendments - Classification of current or non-current	1 January 2023

Notes to the Consolidated Financial Statements *(continued)*

3. Changes in accounting policies (continued)
3.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities - In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Lease Incentives - amendment to illustrative examples - The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

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

IAS 1 Amendments - Classification of current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption 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 and investment properties 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 an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and other consolidation is ceased from the date on which that control is ceased. 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)
4.2 Basis of consolidation (continued)

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 consolidated 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 Company 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. The fair value of any investment remaining in the previous subsidiary at the date of loss of control is considered either the fair value of the initial measurement of subsequent accounting within IFRS 9 when appropriate, or the cost when initially measuring the investment as an associate or joint venture.

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 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)

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 recognition

The Group recognises revenue from the following major sources:

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

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 control over goods to customers, 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)
4.5 Revenue recognition (continued)

4.5.3 Rendering of services

The Group provides Engineering supervision services relating to the oil and gas entities. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced periodically in accordance with individual contracts as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

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 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 owners 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 owners 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 owners 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 Leased assets

The Group as a lessee

For any new contracts entered, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right to use assets on a straight-line basis from the date of commencement of the lease to the end of the useful life of the right to use or the end of the lease, whichever is earlier. The Group also assesses the original use of the impairment loss in the presence of these indicators.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease,

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

4.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model. Investment properties are initially measured at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Gains and losses arising from the sale of investment properties are included in the consolidated statement of profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

4.14 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)
4.14 Investment in associates (continued)

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.

4.15 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.

4.16 Financial instruments

4.16.1 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 'pass through' arrangement; and either
    a. the Group has transferred substantially all the risks and rewards of the asset or
    b. the Group has neither transferred nor retained substantially all 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)
4.16 Financial instruments (continued)

4.16.2 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 elections/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

4.16.3 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 less due to banks. Balances with banks 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)
4.16 Financial instruments (continued)

• 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

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)
4.16 Financial instruments (continued)

4.16.4 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 amounts due from related parties. 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)
4.16 Financial instruments (continued)

4.16.5 Classification and subsequent measurement of financial liabilities

- The Group's consolidated financial liabilities include accounts payable and other liabilities and due to related parties, murabaha payable and due to banks.

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.

- *Due to banks*

Due to banks are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Murabaha payable*

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

4.17 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.

4.18 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.

4.19 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.

4.20 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.

Notes to the Consolidated Financial Statements *(continued)*

4 Significant accounting policies (continued)

4.21 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.22 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 other comprehensive income.

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.

4.23 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. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. 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.

When the treasury shares are reissued, gains are recorded directly in "treasury shares reserve" in the shareholders' equity. 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 legal reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

4.24 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.

4.25 Foreign currency translation

4.25.1 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.

4.25.2 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.

4.25.3 Foreign operations

In the Group's consolidated 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.

4.26 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.

4.27 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.

4.28 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 32). 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. SIGNIFICANT MANAGEMENT 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. Furthermore, effect of pandemic corona virus (Covid-19) have been discussed in note 38.

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 4.16). 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.

Notes to the Consolidated Financial Statements *(continued)*

5 Critical accounting judgements and key sources of estimation uncertainty (continued)

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 Impairment of right-of-use-of-assets

At the financial position date, the Group management determines whether there is any indication of impairment of right-of-use-of-assets. In estimating the recoverable amount of the right-of-use assets, management makes assumptions about the achievable market rates for similar properties with similar lease terms. This method uses estimated cash flow projections over the lease term of the assets. Due to the associated uncertainty, it is possible that the estimates of the amount of lease payment that will be recovered through the sub-lease of the property may need to be revised in the future years.

5.2.5 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.

5.2.6 Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

Notes to the Consolidated Financial Statements *(continued)*

5 Critical accounting judgements and key sources of estimation uncertainty (continued)
5.2 Estimates uncertainty (continued)

5.2.7 Construction contract revenue

Recognised amounts of construction contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty

5.2.8 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.

5.2.9 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

		Percentage of ownership		
Name of Subsidiary	Country of incorporation	**31 Dec. 2020 %**	31 Dec. 2019 %	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
SCOMI Oil Tools Gulf Company - WLL (6.1.3)	Kuwait	**65**	65	Practicing oil and gas wells operations and services
Kuwait Building Company for the sale and purchase of land and real estate - WLL (6.1.4)	Kuwait	**98**	98	Buying and selling land and real estate
Saudi Insulation Bricks Company - WLL (held for sale) (6.2)	Saudi Arabia	**50**	50	Manufacturing

6.1.1 The Group has consolidated Building Systems Industries Company - WLL using the Draft of audited financial statements for the financial year ended 30 November 2020. The other shareholders who have 2% of the share capital sign a waiver letter to parent company, for that reason the financial statements were consolidated for the subsidiary at 100%.

6.1.2 The Group consolidated National Industries Company for Ceramic - KSCC using the management accounts for the financial year ended 31 December 2020.

6.1.3 The Group consolidated Scomi Oil Tools Gulf Company - WLL using the management accounts for the financial year ended 31 December 2020.

6.1.4 The Group consolidated for Kuwait Building Company for the Sale and Purchase of Land and Real Estate - WLL using the management accounts for the financial year ended 31 December 2020.

Notes to the Consolidated Financial Statements *(continued)*

6 Subsidiaries (continued)

6.2 Disposed group classified as held for sale and discontinued operations

During the year and after the cessation of production in the factories of the Saudi Insulation Bricks Company - WLL. (Subsidiary company), the General Assembly of that subsidiary held on 26 March 2020 decided to approve its sale, liquidation or merger. The group's ownership in this company is 50% of the capital. Consequently, the assets and liabilities assigned to this subsidiary have been classified as a disposed group held for sale. Furthermore, the revenues, expenses, profits and losses related to this subsidiary have been eliminated from the profits or losses under the continuing operations of the group and were stated as a separate item in the consolidated statement of profit or loss under discontinued operations. The following is a summary of the operating results of the Saudi Insulation Brick Company - WLL upto the reporting date.

	31 Dec. 2020 KD	31 Dec. 2019 KD
Revenue		
Sales revenue	8,267	177,403
Cost of Sales	(218,382)	(136,939)
Gross (loss)/profit	(210,115)	40,464
Gain of sale of lands (See below)	387,377	-
	387,377	-
Expenses and other charges		
Dividend expenses	-	(73,302)
General and administrative expenses	(1,077,311)	(401,904)
	(1,077,311)	(475,206)
Loss for the year from discontinued operations	(900,049)	(434,742)

The carrying values of the assets and liabilities included in the disposed group classified as held for sale are summarized below:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Assets		
Non-current assets		
Property, plant and equipment	5,309,038	7,625,735
	5,309,038	7,625,735
Current assets		
Inventories and spare parts	18,630	24,414
Receivables and other assets	421,236	575,143
Cash and bank balances	563,265	14,664
	1,003,131	614,221
Total assets included in the disposed group as held for sale	6,312,169	8,239,956
Current liabilities		
Payables and other liabilities	536,400	1,568,277
	536,400	1,568,277
Total liabilities included in the disposed group as held for sale	536,400	1,568,277
Net assets included in the disposed group	5,775,769	6,671,679

Cash flows generated from discontinued operations included in the excluded group that are classified as held for sale are summarized below:

	year ended 31 Dec. 2020 KD	year ended 31 Dec. 2019 KD
Operating activities	(1,947,551)	167,935
Investing activities	2,496,152	(227,473)
Net cash flows	548,601	(59,538)

Notes to the Consolidated Financial Statements *(continued)*

6 Subsidiaries (continued)
6.2 Disposed group classified as held for sale and discontinued operations (continued)

During the year, the subsidiary sold lands in Jeddah, Kingdom of Saudi Arabia of SAR 26.7 million (equivalent to KD 2.17 million). This sale resulted in a profit of KD387,377.

During the year, the management of the parent company evaluated the buildings and land of the subsidiary's factory in Riyadh, Kingdom of Saudi Arabia, with a fair value of SAR43,094,000 (equivalent to KD3,475,100). The management of the parent company confirms that this value in addition to the expected selling value of the remaining assets of the subsidiary are sufficient to cover the net book value of this subsidiary.

6.3 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 held by the NCI		Loss allocated to NCI		Accumulated NCI	
Name of Subsidiary	**31 Dec. 2020 %**	31 Dec. 2019 %	**31 Dec. 2020 KD**	31 Dec. 2019 KD	**31 Dec. 2020 KD**	31 Dec. 2019 KD
Saudi Insulation Bricks Company - WLL (Note 6.2)	**50%**	50%	**(450,025)**	(217,371)	**2,887,880**	3,335,839
National Industries Company for Ceramic - KSCC (see below)	**13.573%**	13.573%	**(43,620)**	(48,430)	**1,335,031**	1,378,651
					4,222,911	4,714,490

No dividends were paid to the NCI during the years 2020 and 2019.

a. National Industries Company for Ceramic -KSCC

Summarised financial statements for before intragroup eliminations is set out below:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Non-current assets	**13,188,333**	14,024,106
Current assets	**8,020,393**	7,376,977
Total assets	**21,208,726**	21,401,083
Non-current liabilities	**899,425**	932,561
Current liabilities	**16,060,156**	15,182,757
Total liabilities	**16,959,581**	16,115,318
Equity attributable to the owners of the Parent Company	**2,914,114**	3,907,114
Non-controlling interests	**1,335,031**	1,378,651
Total equity	**4,249,145**	5,285,765

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Revenue	**5,058,041**	5,596,251
Loss for the year attributable to the owners of the Parent Company	**(729,983)**	(735,267)
Loss for the year attributable to NCI	**(43,620)**	(48,430)
Loss for the year	**(773,603)**	(783,697)
Total comprehensive loss for the year attributable to the owners of the Parent Company	**(729,983)**	(735,267)
Total comprehensive loss for the year attributable to NCI	**(43,620)**	(48,430)

Notes to the Consolidated Financial Statements *(continued)*

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

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Total comprehensive loss for the year	(773,603)	(783,697)
Net cash flow from operating activities	1,281,651	497,439
Net cash flow used in investing activities	(391,368)	(610,477)
Net cash flow used in financing activities	(54,965)	(55,385)
Net cash flow	835,318	(168,423)

6.4 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. 2020 KD	(Restated) Year ended 31 Dec. 2019 KD
Sale of building materials and infrastructure materials and Services	35,659,146	46,286,966
Contracting revenue	534,223	1,809,837
	36,193,369	48,096,803

8. OTHER OPERATING INCOME

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
The State of Kuwait's support to address consequence of Covid-19	234,361	-
Investment property income	166,714	73,933
Other income	431,458	676,153
	832,533	750,086

Notes to the Consolidated Financial Statements *(continued)*

9. INVESTMENT INCOME

	Year ended 31 Dec. 2020 **KD**	*Year ended 31 Dec. 2019* KD
Dividend income from investments at fair value through other comprehensive income	**307,610**	1,675,095
Dividend income from investments at fair value through profit or loss	**79,301**	82,840
Income from investments at fair value through profit or loss	**(472,893)**	379,596
Loss of sale of investments at fair value through profit and loss	**-**	(749)
Income from Murabaha investment	**193,936**	245,905
Interest and other income	**6,994**	8,804
	114,948	2,391,491

10. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) 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. 2020	Year ended 31 Dec. 2019
Profit for the year attributable to the owners of the Parent Company from the continuing operations (KD)	**386,691**	4,510,015
Loss of the year attribute owners of the parent company from discontinued operations(KD)	**(450,025)**	(217,371)
	(63,334)	4,292,644
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	**349,629,222**	348,616,109
Shares to be issued for no consideration under share-based payments - note 32	**1,746,227**	1,169,651
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	**351,375,449**	349,785,760
Basic earnings/(loss) per share attributable to the owners of Parent Company		
From continuing operations	**1.11**	12.93
From discontinued	**(1.29)**	(0.62)
Total - Fils	**(0.18)**	12.31
Diluted earnings/(loss) per share attributable to the owners of Parent Company		
From continuing operations	**1.10**	12.89
From discontinued	**(1.28)**	(0.62)
Total - Fils	**(0.18)**	12.27

Notes to the Consolidated Financial Statements *(continued)*

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 2020							
Cost							
At 1 January	1,468,582	34,849,793	59,913,486	15,355,432	4,661,908	3,186,123	119,435,324
Impact of the disposed group classified as held for sale (note 6.2)	(1,468,582)	(2,423,672)	(7,799,477)	(152,148)	(87,244)	(345,509)	(12,276,632)
Additions/transfers - Net	-	1,187,506	1,290,486	200,350	250,951	(1,127,766)	1,801,527
Write-off/disposals	-	(405,089)	(336,569)	(537,350)	(44,015)	-	(1,323,023)
At 31 December	-	33,208,538	53,067,926	14,866,284	4,781,600	1,712,848	107,637,196
Accumulated depreciation							
At 1 January	-	26,484,909	44,842,505	12,350,242	4,306,729	-	87,984,385
Impact of the disposed group classified as held for sale	-	(700,085)	(3,757,326)	(151,748)	(41,738)	-	(4,650,897)
Charge for the year	-	914,943	1,479,707	704,526	184,945	-	3,284,121
Relating to write-off/disposals	-	(405,081)	(335,490)	(528,905)	(51,706)	-	(1,321,182)
At 31 December	-	26,294,686	42,229,396	12,374,115	4,398,230	-	85,296,427
Net book value At 31 December	-	6,913,852	10,838,530	2,492,169	383,370	1,712,848	22,340,769

	Land KD	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
31 December 2019							
Cost							
At 1 January	1,469,858	34,419,356	58,253,589	15,109,671	4,648,350	2,052,792	115,953,616
Additions/transfers - Net	-	432,582	1,671,744	245,893	81,867	1,133,435	3,565,521
Write-off/disposals	-	(40)	(4,966)	-	(68,205)	-	(73,211)
Foreign currency adjustments	(1,276)	(2,105)	(6,881)	(132)	(104)	(104)	(10,602)
At 31 December	1,468,582	34,849,793	59,913,486	15,355,432	4,661,908	3,186,123	119,435,324
Accumulated depreciation							
At 1 January	-	25,846,620	43,286,450	11,649,667	4,143,940	-	84,926,677
Charge for the year	-	638,916	1,563,833	700,719	230,400	-	3,133,868
Relating to write-off/disposals	-	-	(4,539)	-	(67,282)	-	(71,821)
Foreign currency adjustments	-	(627)	(3,239)	(144)	(329)	-	(4,339)
At 31 December	-	26,484,909	44,842,505	12,350,242	4,306,729	-	87,984,385
Net book value At 31 December	1,468,582	8,364,884	15,070,981	3,005,190	355,179	3,186,123	31,450,939

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

Notes to the Consolidated Financial Statements *(continued)*

11 Property, plant and equipment (continued)

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 and assts under construction which were completed and ready for intended use were capitalised in the appropriate categories. The costs relating to the remaining manufacturing lines and assets under construction will be transferred to the appropriate asset categories when the assets are ready for their intended use.

12. RIGHT OF USE ASSETS

Right of use assets represent land and building leased by the Group through long term-term lease range from 1 to 5 years. The right on use assets movement during the year is as following:

	31 Dec. 2020 KD	31 Dec. 2019 KD
The balance at the beginning of the year	1,716,893	-
Effect of IFRS 16 application	-	3,063,098
Additions	4,149,944	-
Disposal	(135,513)	-
Depreciation	(886,731)	(1,346,205)
Balance at the end of the year	4,844,593	1,716,893

13. INVESTMENT PROPERTY

The movement in investment property during the year is as follows:

	31 Dec. 2020 KD	31 Dec. 2019 KD
The balance at the beginning of the year	1,720,000	-
Purchase of an investment property	3,031,200	1,711,500
Additions	-	22,400
Change in fair value - Note 36.3	48,800	(13,900)
Balance at the end of the year	4,800,000	1,720,000

During the year, one of the subsidiaries of the group, Kuwait Building Company for Buying and Selling Lands and Real Estate - WLL, purchased a right of use of an industrial plot in the State of Kuwait with a total value of KD 3,031,200.

Notes to the Consolidated Financial Statements *(continued)*

14. INVESTMENT IN ASSOCIATES

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

	Country of incorporation	Percentage of Ownership 31 Dec. 2020	Percentage of Ownership 31 Dec. 2019	Purpose
Kuwait Rocks Company - KSCC (under liquidation) - See A below	Kuwait	**38%**	38%	Building materials
Al-Raya Global for Real Estate Services Co. - KSCC (Under liquidation) - See B below	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 KD1 until the process of liquidation is executed.

During the year ended December 31, 2020, the Extraordinary General Assembly of Al Raya Real Estate Services Co - KSCC decided to liquidate the company within two-year period and may be renewed.

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at beginning of the year	**1,776,631**	2,930,964
Share of results of associates	**(192,287)**	(492,953)
Capital reduction	**-**	(341,820)
Dividends	**-**	(253,200)
Impairment in Value	**-**	(63,480)
Share of other comprehensive loss	**(3,660)**	(1,371)
Foreign exchange translation	**1,055**	(1,509)
	1,581,739	1,776,631

14.2 Summarised financial statements of Group's material associates are set out below:

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

	31 Dec. 2020 KD	31 Dec.2019 KD
Non-current assets	**189**	43,857
Current assets	**1,116,259**	1,445,757
Total assets	**1,116,448**	1,489,614
Non-current liabilities	**-**	42,788
Current liabilities	**509,411**	734,704
Total liabilities	**509,411**	777,492
Net assets	**607,037**	712,122

Notes to the Consolidated Financial Statements *(continued)*

14. Investment in associates (continued)
14.2 Summarised financial statements of Group's material associates (continued)

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Revenue	-	128,727
Loss for the year	(90,628)	(549,250)
Other comprehensive loss for the year	(14,459)	(5,960)
Total comprehensive loss for the year	(105,087)	(555,210)

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

	Year ended 31 Dec. 2020	Year ended 31 Dec. 2019
Group's ownership interest	25.32%	25.32%
Net assets of the associate (KD)	607,037	712,122
Group's share of net assets (KD)	153,701	180,309
Carrying amount (KD)	153,701	180,309

The Group has accounted for its share of results of this associate using the Management accounts as of 31 December 2020.

b) Insulated Building Systems Factory - WLL:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Non-current assets	1,179,415	1,336,810
Current assets	2,354,715	2,984,321
Total assets	3,534,130	4,321,131
Non-current liabilities	18,243	31,908
Current liabilities	659,817	1,096,585
Total liabilities	678,060	1,128,493
Net assets	2,856,070	3,192,638

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Revenue	836,218	1,134,605
Loss for the year	(338,680)	(1,270,958)
Total comprehensive income / (loss) for the year	2,112	(136,353)

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

	Year ended 31 Dec. 2020	Year ended 31 Dec. 2019
Group's ownership interest	50%	50%
Net assets of the associate (KD)	2,856,070	3,192,638
Group's share of net assets (KD)	1,428,035	1,596,319
Carrying amount (KD)	1,428,035	1,596,319

The Group has accounted for its share of results of this associate using management accounts as of 31 December 2020.

Notes to the Consolidated Financial Statements *(continued)*

14. Investment in associates (continued)

14.3 Set out below is the aggregate information for the individually immaterial associates, based on the unaudited financial statements as at 31 December 2020 and 2019.

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Group's share of profits or losses	-	(285,705)
Group's share of total comprehensive loss	-	(285,705)
Aggregate carrying amount of Group's interest in these associates	3	3

15. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec. 2020 KD	31 Dec. 2019 KD
Local quoted securities	3,784,170	4,304,843
Local unquoted securities	10,527,608	12,025,930
Foreign quoted securities	1,293,301	1,552,507
Foreign unquoted securities	13,706,788	8,385,365
	29,311,867	26,268,645

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 believes that the recognition of short-term fluctuations in the fair value of these investments in the consolidated 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.

16. MURABAHA INVESTMENT

Murabaha investment is an investment in a local Islamic financial institution and carries effective profit rate of 2% (2019:2%)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.

17. INVENTORIES AND SPARE PARTS

	31 Dec. 2020 KD	31 Dec. 2019 KD
Raw materials	11,675,529	10,079,303
Finished goods and work-in-progress	6,728,283	6,375,470
Spare parts	3,758,824	3,716,186
Goods in transit	1,072,114	1,585,594
	23,234,750	21,756,553
Provision for obsolete and slow-moving items	(870,394)	(870,394)
	22,364,356	20,886,159

18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec. 2020 KD	31 Dec. 2019 KD
Managed funds and portfolios	1,618,156	1,897,401
Quoted equity securities	532,543	726,195
	2,150,699	2,623,596

19. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	31 Dec. 2020 KD	31 Dec. 2019 KD
Financial assets:		
Trade receivables	9,424,185	10,582,728
Ultimate Parent Company current account	529,483	542,934
Due from associates	578,543	578,160
Staff receivables	290,548	333,863
Retentions	1,203,704	1,222,020
Accrued income and other assets	110,586	451,834
	12,137,049	13,711,539
Less: Provision for doubtful debts (See 19.1 below)	(1,421,664)	(1,232,255)
	10,715,385	12,479,284
Non-Financial assets:		
Prepayments	575,101	797,777
Advances to contractors	38,153	-
	613,254	797,777
	11,328,639	13,277,061

Provision for doubtful debts 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 2020 and 31 December 2019 was determined as follows:

	Not past due	More than 30 Days	More than 90 Days	More than 120 Days	More than 180 Days	More than a year	Total
31 December 2020:							
Total Carrying amount	5,279,616	3,823,170	606,850	1,456,450	403,130	567,833	12,137,049
Lifetime ECLs (KD)	(83,450)	(95,310)	(337,214)	(99,805)	(238,052)	(567,833)	(1,421,664)
Total financial assets							10,715,385
31 December 2019:							
Total Carrying amount	5,964,519	4,319,135	685,577	1,645,385	455,420	641,503	13,711,539
Lifetime ECLs (KD)	(34,577)	(87,710)	(247,805)	(106,950)	(113,710)	(641,503)	(1,232,255)
Total financial assets							12,479,284

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Opening balance	(1,232,255)	(864,864)
Charged during the year	(190,207)	(367,391)
Affection of disposal group classified as available for sale	798	-
Closing Balance	(1,421,664)	(1,232,255)

20. FIXED DEPOSITS

Fixed deposits carry an average interest rate that varies from 0.75% to 1.25% (2019: 1.6% to 1.9%) per annum and mature within one year from the date of the consolidated statement of financial position.

Notes to the Consolidated Financial Statements *(continued)*

21. CASH AND CASH EQUIVALENT

	31 Dec. 2020 KD	31 Dec. 2019 KD
Cash and bank balances	7,251,339	8,526,342
Term deposits due for less than 3 months	75,000	75,000
Cash and bank balances	7,326,339	8,601,342
Less:		
Due to banks	(1,404,610)	(304,767)
Cash and cash equivalents for the purpose of consolidated statement of cash lows	5,921,729	8,296,575

Due to banks carry an interest rate at 1.25% (31 December 2019: 1.25%) per annum above the CBK discount rate. They are payable on demand.

22. SHARE CAPITAL AND SHARE PREMIUM

	31 Dec. 2020 KD	31 Dec. 2019 KD
Shares of KD0.100 each		
- Authorised	36,020,187	36,020,187
- Issued and fully paid in cash	35,089,162	35,089,162

During the year, the Parent Company issued 962,811 shares (2019: 1,454,246 shares) under the staff share-based payments scheme (note 32) at price ranging from KD0.169to KD0.230 per share.

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

23. TREASURY SHARES

	31 Dec. 2020	31 Dec. 2019
Number of shares	1,409,356	1,937,651
Percentage of issued shares	0.402%	0.552%
Cost of treasury shares (KD)	253,830	364,720
Market value (KD)	225,497	310,024

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

24. 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.

25. OTHER COMPONENTS OF EQUITY

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2020	**6,300,754**	**104,484**	**6,405,238**
Exchange differences on translation of foreign operations	**-**	**3,121**	**3,121**
Share of other comprehensive loss of associates	**-**	**(3,660)**	**(3,660)**
Investments at fair value through OCI:			
- Net change in fair value arising during the year	**3,529,681**	**-**	**3,529,681**
Total other comprehensive income for the year	**3,529,681**	**(539)**	**3,529,142**
Balance at 31 December 2020	**9,830,435**	**103,945**	**9,934,380**
Balance at 1 January 2019	7,123,733	144,408	7,268,141
Exchange differences on translation of foreign operations	-	(38,553)	(38,553)
Share of other comprehensive loss of associates	-	(1,371)	(1,371)
Investments at FVTOCI			
- Net change in fair value arising during the year	(677,662)	-	(677,662)
Total other comprehensive loss for the year	(677,662)	(39,924)	(717,586)
Realized gains on sale of investments at fair value through other comprehensive income	(145,317)	-	(145,317)
Balance at 31 December 2019	6,300,754	104,484	6,405,238

26. PROVISION FOR LAND-FILLING EXPENSES

	31 Dec. 2020 KD	31 Dec. 2019 KD
Opening balance	**483,071**	451,018
Charged during the year	**29,123**	32,053
Closing Balance	**512,194**	483,071

Notes to the Consolidated Financial Statements *(continued)*

27. LEASE LIABILITY

Lease liabilities are presented in the consolidated statement of financial position as follows:

The minimum future rent payments as of 31 December 2020 is as follows:

	Accrued Minimum Future Rent Payments		
	One Year KD	Between 1 year and 5 years KD	Total KD
31 December 2020:			
Lease payments	**1,562,646**	**3,252,244**	**4,814,890**
Finance costs	**(77,851)**	**(242,313)**	**(320,164)**
N Net present values	**1,484,795**	**3,009,931**	**4,494,726**

The minimum future rent payments as of 31 December 2019 is as follows:

	Accrued Minimum Future Rent Payments		
	One Year KD	Between 1 year and 5 years KD	Total KD
31 December 2019:			
Lease payments	577,500	924,500	1,502,000
Finance costs	(52,689)	(129,209)	(181,898)
N Net present values	524,811	795,291	1,320,102

28. MURABAHA PAYABLE

Murabaha payable represents the balance of Murabaha facilities obtained from a local Islamic bank and carries a profit rate of 1.25% annually above the discount rate announced by the Central Bank of Kuwait. The outstanding balance has been paid in full during the year.

29. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 Dec. 2020 KD	31 Dec. 2019 KD
Trade payables	**7,236,198**	6,886,232
Due to other related companies (Note 33)	**-**	457,040
Due to an associate (Note 33)	**-**	397,218
Staff payables	**282,219**	165,432
Provision for staff leave	**1,517,279**	999,079
Accrued expenses (See A below)	**2,692,276**	1,986,902
Due to customers for contract works	**269,223**	451,660
Other liabilities	**1,350,805**	2,169,867
Provision for government claim (see B below)	**2,700,000**	2,700,000
	16,048,000	16,213,430

A. The management of the parent company is currently working on the renewal of the lease of a plot of land that expired on July 1, 2019 in Al-Shuwaikh area in Kuwait, between the parent company and the Ministry of Finance - State Property Administration. The parent company made accrual of the rental value of that contract for the period from the date of Expiration to the date of the financial statement included in accrued expenses, till the renewal of the contract and the payment of these amounts.

Notes to the Consolidated Financial Statements *(continued)*

29. Accounts payable and other liabilities (continued)

B. 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.

30. 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. 2020 KD	31 Dec. 2019 KD	**31 Dec. 2020 KD**	31 Dec. 2019 KD	**31 Dec. 2020 KD**	31 Dec. 2019 KD
Segment revenue						
- From continuing operations	**36,193,369**	48,096,803	**114,948**	2,391,491	**36,308,317**	50,488,294
- From discontinued	**8,267**	177,403	**-**	-	**8,267**	177,403
	36,201,636	48,274,206	**114,948**	2,391,491	**36,316,584**	50,665,697
Share of results of associates	**-**	-	**(192,287)**	(492,953)	**(192,287)**	(492,953)
					36,124,297	50,172,744
Segment results						
- From continuing operations	**209,965**	3,013,986	**(28,539)**	1,821,158	**181,426**	4,835,144
- From discontinued	**(900,049)**	(434,742)	**-**	-	**(900,049)**	(434,742)
	(690,084)	2,579,244	**(28,539)**	1,821,158	**(718,623)**	4,400,402
Unallocated expenses					**(11,471)**	(373,559)
Profit for the year as per consolidated statement of profit or loss					**(730,094)**	4,026,843
Depreciation	**4,170,852**	4,465,539	**-**	-	**4,170,852**	4,465,539
Total Assets	**79,316,865**	77,652,394	**38,946,279**	36,675,615	**118,263,144**	114,328,009

The disposed Group's assets (note 6.2) were included under "Building material and contract's services".

31. 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 2020.

The annual general assembly of the shareholders held on 10 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 as well as a dividend distribution of 10 Fils (2018: 10 Fils) per share from the paid-up capital that is equivalent to KD3,498,539 (2018: equivalent to KD3,493,242), to the registered shareholders as at the end of the due, date which is on 2 June 2020. Further, the annual general assembly of shareholders approved directors' remuneration amounting to KD150,000 for the year ended 31 December 2019 (2018: amounting to KD150,000).

Notes to the Consolidated Financial Statements *(continued)*

32. 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.

The expense recognised for services provided by employees under the senior executive plan amounted to KD260,157 (2019: KD241,724) during the year. The carrying amount of the liability relating to the plan at 31 December 2020 was KD316,465 (2019: KD235,375) 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 2020		31 Dec 2019	
	Share options Shares	WAEP KD	Share options Shares	WAEP KD
Opening balance	1,169,651	0.201	1,338,136	0.214
Granted during the year	1,539,387	0.169	1,285,761	0.188
Exercised during the year - note 22	(962,811)	0.186	(1,454,246)	0.202
Outstanding at 31 December - note 10	1,746,227	0.181	1,169,651	0.201

33. 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. 2020 KD	31 Dec. 2019 KD
Amounts included in the consolidated financial position:		
Ultimate Parent Company's current accounts (note 19)	529,483	542,934
Due from associates (note 19)	578,543	578,160
Due to associate (note 29)	-	397,218
Due to other related companies (note 29)	-	457,040
Murabaha investments at amortized cost (Note 16)	4,851,974	4,917,764

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Transactions included in the consolidated statement of profit or loss:		
Interest income	2,403	2,430
Dividends income	67,467	1,466,459
Compensation of key management personnel of the Parent Company		
Directors' remuneration	-	150,000
Short term benefits	272,249	240,007
End of service benefits	34,235	33,582
Cost of share-based payments	260,157	241,724
	566,641	665,313

34. COMMITMENTS AND CONTINGENT LIABILITIES

	31 Dec. 2020 KD	31 Dec. 2019 KD
Issued letters of guarantee	6,999,236	7,143,566
Letters of guarantee from ultimate Parent Company	200,000	200,000
	7,199,236	7,343,566

The Parent Company's management is in the process of negotiating with a government entity to reach a final solution regarding the non-contracted plot of land (which is an industrial land adjacent to the land of the Parent Company's factories in Mina Abdullah area), as the terms of the use of that land will then be agreed upon. The Parent Company's management confirms that it is not obligated to pay any financial liabilities on that land due to the absence of any contracts with that government entity in this regard.

35. 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.

35.1 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. 2020 KD	31 Dec. 2019 KD
US Dollar	9,827,930	6,162,637
UAE Dirhams	1,270,124	1,701,482
Jordanian Dinar	140,198	152,843
Saudi Riyal	8,122,435	7,090,035
Bahraini Dinar	1,914,989	1,785,575
Omani Riyal	1,002,377	1,136,027
Pound Sterling	17,738	18,073

The foreign currency sensitivity is determined assuming 5% (2019: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

Notes to the Consolidated Financial Statements *(continued)*

35. Risk management objectives and policies (continued)
35.1 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. 2020 KD	31 Dec. 2019 KD	**31 Dec. 2020 KD**	31 Dec. 2019 KD
US Dollar	**±26,759**	±26,825	**±464,637**	±281,307
Other currencies	**±258,883**	±292,029	**±364,537**	±302,173

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 and due to banks.

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%) (2019: +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. 2020		31 Dec. 2019	
	+ 1 %	**-1 %**	+ 1 %	-1 %
	KD	**KD**	KD	KD
Profit for the year	**44,974**	**(44,974)**	57,020	(57,020)

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. 2020	31 Dec. 2019
Kuwait market	**5%**	5%
Other international markets	**10%**	10%

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.

Notes to the Consolidated Financial Statements *(continued)*

35. Risk management objectives and policies (continued)
35.1 Market risk (continued)

	Profit for the year		Equity	
	31 Dec. 2020 KD	31 Dec. 2019 KD	**31 Dec. 2020 KD**	31 Dec. 2019 KD
Investments at fair value through profit or loss	**107,535**	131,180	**-**	-
Investments at fair value through other comprehensive income	**-**	-	**318,593**	370,493
Total	**107,535**	131,180	**318,593**	370,493

35.2 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. 2020 KD	31 Dec. 2019 KD
Bank balances	**7,260,040**	8,451,342
Fixed deposits	**1,050,000**	1,088,979
Accounts receivable and other assets (note 19)	**10,715,385**	12,479,284
Murabaha investment	**4,851,974**	4,917,764
Investments at fair value through profit or loss	**2,150,699**	2,623,596
Investments at fair value through other comprehensive income	**29,311,867**	26,268,645
	55,339,965	55,829,610

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

The Company's largest customer accounted for 9% (2019: 9%) of the total trade receivables.

34.3 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 based on discounted cash flows 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 2020					
Due to banks	**1,404,610**	**-**	**-**	**-**	**1,404,610**
Lease liabilities	**-**	**-**	**1,484,795**	**3,009,931**	**4,494,726**
Accounts payable and other liabilities	**2,919,014**	**4,417,358**	**8,711,628**	**-**	**16,048,000**
	4,323,624	**4,417,358**	**10,196,423**	**3,009,931**	**21,947,336**
As at 31 December 2019					
Due to banks	304,767	-	-	-	304,767
Lease liabilities	-	-	524,811	795,291	1,320,102
Murabaha payable	-	-	507,154	-	507,154
Accounts payable and other liabilities	3,385,912	4,517,757	8,309,761	-	16,213,430
	3,690,679	4,517,757	9,341,726	795,291	18,345,453

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

36. FAIR VALUE MEASUREMENT

36.1 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:** fair 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).

36.2 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. 2020 KD	31 Dec. 2019 KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	7,326,339	8,601,342
Fixed deposits	1,050,000	1,088,979
Accounts receivable and other assets (note 19)	10,715,385	12,479,284
Murabaha investment	4,851,974	4,917,764
Investments at fair value through profit or loss:		
Investments at fair value through profit or loss	2,150,699	2,623,596
Investments at fair value through other comprehensive income:		
Investments at fair value through other comprehensive income	29,311,867	26,268,645
	55,406,264	55,979,610
Financial liabilities:		
Financial liabilities at amortised cost:		
Due to banks	1,404,610	304,767
Lease liabilities	4,494,726	1,320,102
Murabaha payable	-	507,154
Accounts payable and other liabilities	16,048,000	16,213,430
	21,947,336	18,345,453

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)*

36. Fair value measurement (continued)
36.2 Fair value measurement of financial instruments (continued)

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

	note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2020					
Investments at fair value through profit or loss					
Quoted securities	a	532,543	-	-	532,543
Managed funds and portfolios	b	-	1,618,156	-	1,618,156
Total		532,543	1,618,156	-	2,150,699
Investments at fair value through other comprehensive income					
Local quoted securities	a	3,784,170	-	-	3,784,170
Local unquoted securities	c	-	-	10,527,608	10,527,608
Foreign quoted securities	a	1,293,301	-	-	1,293,301
Foreign unquoted securities	c	-	7,552,365	6,154,423	13,706,788
Total		5,077,471	7,552,365	16,682,031	29,311,867
Total		5,610,014	9,170,521	16,682,031	31,462,566

	note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2019					
Investments at fair value through profit or loss					
Financial assets designated at fair value through profit or loss					
Quoted securities	a	726,195	-	-	726,195
Managed funds and portfolios	b	-	1,897,401	-	1,897,401
Total		726,195	1,897,401	-	2,623,596
Investments at fair value through other comprehensive income					
Local quoted securities	a	4,304,843	-	-	4,304,843
Local unquoted securities	c	-	-	12,025,930	12,025,930
Foreign quoted securities	a	1,552,507	-	-	1,552,507
Foreign unquoted securities	c	-	3,608,825	4,776,540	8,385,365
Total		5,857,350	3,608,825	16,802,470	26,268,645
Total		6,583,545	5,506,226	16,802,470	28,892,241

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.

Notes to the Consolidated Financial Statements *(continued)*

36. Fair value measurement (continued)
36.2 Fair value measurement of financial instruments (continued)

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 the modified carrying amount and 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. 2020 KD	31 Dec. 2019 KD
Opening balance	16,802,470	17,984,561
Transfer to level 1	-	(35,125)
Additions	238,232	250,000
Other comprehensive income	374,490	71,596
reduction in share capital / Sale	(733,161)	(1,468,562)
Closing balance	16,682,031	16,802,470

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.

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%.

Notes to the Consolidated Financial Statements *(continued)*

36. Fair value measurement (continued)

36.3 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2020 and 31 December 2019:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2020				
Investment property - in Kuwait - note 13	-	-	1,650,000	1,650,000
Industrial Plot - in Kuwait - note 13	-	-	3,150,000	3,150,000
	-	-	4,800,000	4,800,000

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2019				
Investment property- in Kuwait - note 13	-	-	1,720,000	1,720,000
	-	-	1,720,000	1,720,000

The fair values of all investment properties have been determined based on valuations obtained from independent and accredited valuers for each investment property, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. As of 31 December 2020. For the valuation purpose, the Group has selected the lower value of the valuations obtained for each investment property.

Investment properties

The fair values of the properties that have been determined based on the fair value provided by independent and accredited valuers who have valued the investment properties using income approach which capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment property	Estimated rental stream approach	Monthly economic rental value	KD 2,183 to KD2,255	Fair value increases if economic rental value increases, and vice versa.
Industrial plot	Estimated rental stream approach	Monthly economic rental value	KD 1,050 to KD1,102	Fair value increases if economic rental value increases, and vice versa.

37. 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. 2020 KD	31 Dec. 2019 KD
(Loss) /profit for the year attributable to the owners of the Parent Company	(63,334)	4,292,644
Total equity attributable to the owners of the Parent Company	84,256,302	84,099,143
Return on equity	%0.075	5.10%

38. COVID19 PANDEMIC IMPACT

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. However, management of the Group is actively monitoring any effects of COVID19 may have on its business operations and financial performance.

As a result of the curfew period in the State of Kuwait, sales and service revenues declined by 23% and contract revenue declined by 70% during the year ended 31 December 2020 compared o the year ended 31 December 2019. This decline in revenues had significantly affected the Group's results for the year.

Management has updated its assumptions with respect to judgements and estimates, discussed below, due to continued uncertainties in the volatile economic environment in which the Group conducts its operations.

Impairment of financial assets and Estimated Credit Losses (ECL)

The negative economic outlook and cash flow difficulties experienced by customers as a result of COVID19 have been factored into the Group's forecasts of future conditions, which may have resulted in an increase in its allowance for ECLs of trade and other receivables. This is to reflect:

a. a greater probability of default across many customers, even those that currently do not exhibit significant increases in credit risk but may in the future, and

b. a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

For the unquoted financial assets, the Group considered, among other factors, impacts of the volatility in the markets and affected sectors in its assessment of any indicators of impairment which represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the currently.

The additional considerations above did not result into any material impact in these consolidated financial statements.

Notes to the Consolidated Financial Statements *(continued)*

38. Covid19 Pandemic Impact (continued)

Impairment of non-financial assets

The Group has performed an assessment for its equity accounted investments using various factors including considering the impact of COVID19 on entities operating in the similar sector, and compared the actual results for the period against the approved budgets and industry standards to determine any indictors of impairment. The assessment did not result into any material impact.

For the investment properties the Group considered that there may be an increase in the amount of subjectivity involved in fair value measurements, especially those based on unobservable inputs. Although certain input may involve subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The Group has also considered any impairment indicators arising as a result of COVID19 and any significant uncertainties around other non-financial assets including its property, plant and equipment, intangible assets and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID19.

As at the reporting date, the Group has not identified significant impact on the carrying values of its non-financial assets due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2019. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

Going concern

At each reporting date, management assesses the entity's ability to continue as a going concern and consider all available information about the future, which is at least, but is not limited to, twelve months from the annual reporting date. Management assessment of going concern included a wide range of factors, such as: current and expected profitability, debt repayment schedules and potential sources of replacement financing, and the ability to continue providing services with due consideration for economic uncertainties resulting from COVID19. Although, the full impact of COVID19 continues to evolve, the results of current projections and assumptions show that the Group has adequate resources to continue its normal operations. As a result, the consolidated financial statements were prepared based on the going concern.

Contingencies and Commitments

The Group's assessment of anticipated losses on account of reduction in demand, meeting contractual obligations, supply chain disruptions or losses due to an overall decline in economic output as a result of COVID19 did not result into any matters that need disclosure in the consolidated financial statements.

Leases

The impact COVID19 on the Group's leases is discussed in note 3.1.

Connection with Community

Social Media Applications

NIC keens to be a forerunner in using the latest technologies to effectively communicate with its customers using all kinds of most popular social media applications and platforms in order to respond to customer inquiries, consider and meet their proposals, in addition to providing studies and recommendations contributing to installations and constructions.