شركة الصناعات الوطنية ش.م.ك

NATIONAL INDUSTRIES COMPANY K.P.S.C

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Annual Report
2017

شركة الصناعات الوطنية ش.م.ك.ع

NATIONAL INDUSTRIES COMPANY K.P.S.C

Annual Report

2017

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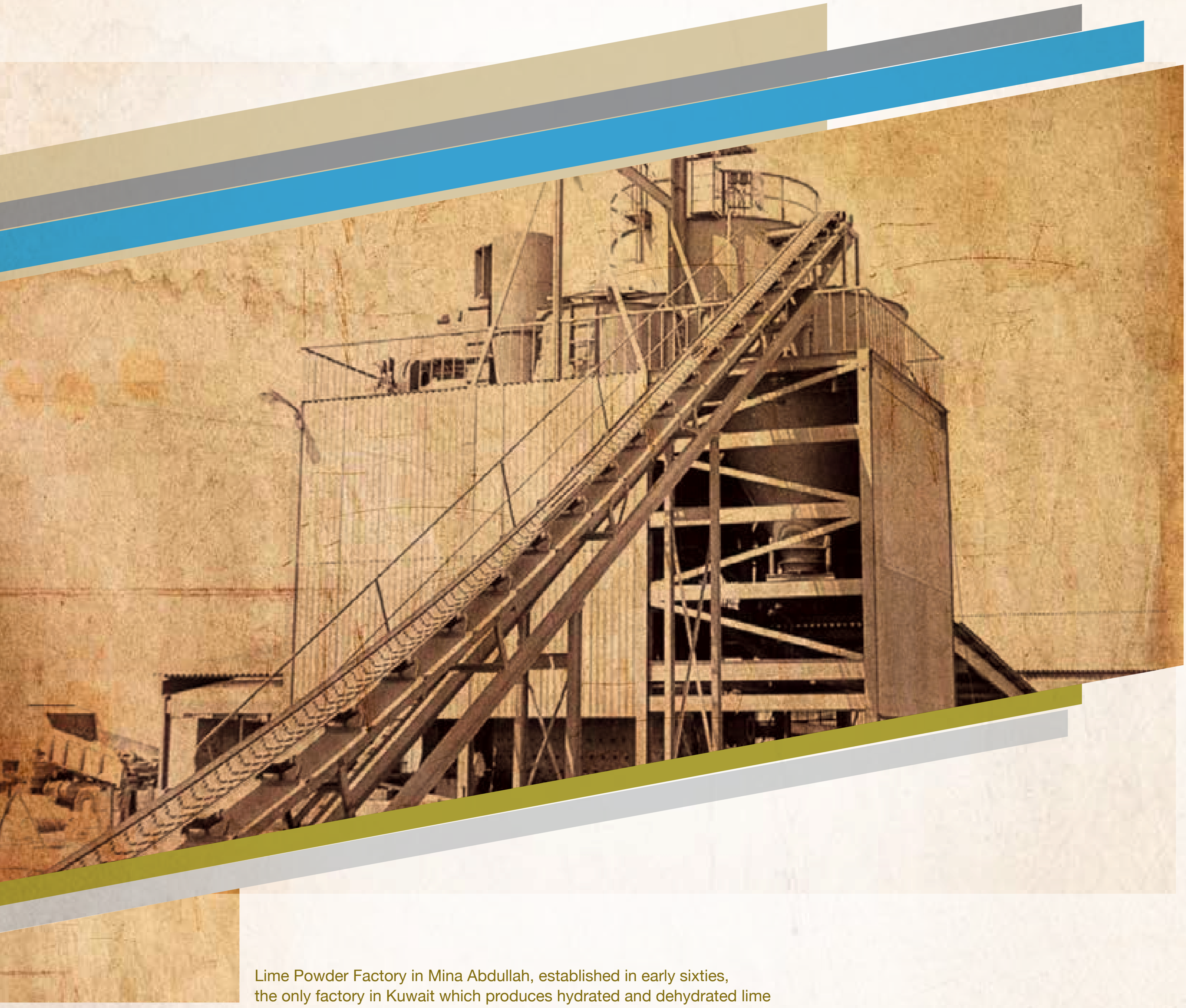
H.H.Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

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

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



Lime Powder Factory in Mina Abdullah, established in early sixties,
the only factory in Kuwait which produces hydrated and dehydrated lime

Contents

The Dolomite Quarry in east Ahmadi,
First exploited was in the late of sixties.

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

First fleet of the Ready Mix
trucks was established
in the mid of sixties

Chairman's Message

Dear shareholders,

On behalf of the Board of Directors, Executive Management and myself, it would be our pleasure to welcome you and to present herein the Annual Report of the company and its performance, and what was achieved during the fiscal year ended 31/12/2017.

Net Profit has been raised up by 2.79% in 2017 with an increment of 413% than 2016, while the operational performance has decreased in 2017 to reach KD 8.24 Million, (KD 8.9 Million in 2016) due to the lack of new governmental projects, besides the conclusion of a large number of the projects which introduced previously, which diminished the demand of building materials significantly, moreover, the market dumping caused by the external imported materials caused a negative effect, so we need a strict confortation by the government.

According to the results of this years performance, in the meeting held on 8/3/2017, the Board of Directors has recommended cash dividend of 8 fils (in cash) per share for the financial year ended 31/12/2017.

Hereby, I would like to extend my sincere thanks and appreciation to all the employees in the company for their efforts achieving positive operational outcomes, looking forward for more efforts to achieve our ambitions and objectives.

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

Abdulaziz Ibrahim Al-Rabiah
Chairman

Board of Directors Report - 2016

Net Profit of 2017 has reached KD 2.97 Million with an increment of 413% than 2016 (KD 579 Thousand), due to sales augmentation, which increased by 10% to become KD 45.14 Million compared with 2016. (KD 41 Million).

However, the operational performance of the company was declined in 2017, so the operational profit reached KD 8.24 Million with a decrease of 7% comparing with 2016. (KD 8.9 Million), due to an increment in the sales cost by 15% to become KD 37 Million in 2017 compared with KD 32 Million in 2016, beside the slump in the sales of the affiliated companies (N.I.Ceramics, Saudi Insulation Bricks Co.) by 28%, for a drop in their sales costs by 23%.

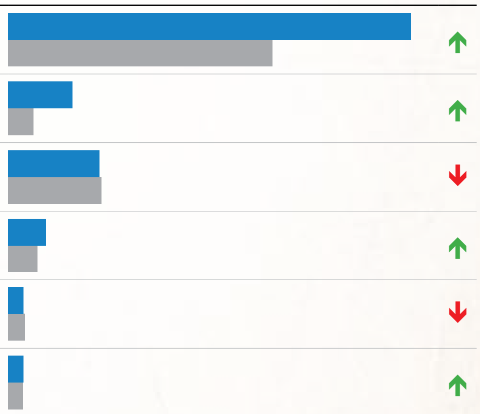
Shareholders equities have reached K.D. 85 million with a carrying amount of 242 fils per share.

The following is a review of the Company's operational activity and the implemented and underway projects in 2017:

FIRST: SULAIBIA FACTORIES GROUP

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

Product	Sales 2017	Sales 2016	Ratio of sales of 2017 compared with 2016
Ready Mix	13,478,297	8,848,066	52%
Concrete Pipes	2,144,373	849,228	153%
Interlock	3,053,078	3,125,853	(2)%
Kerbstone & Cable Covers	1,257,805	985,516	28%
Cement Blocks & Moulds	512,820	554,034	(7)%
Yard Tiles	503,144	496,233	1%



SECOND: MINA ABDULLAH FACTORIES GROUP

The total sales reached KD 18.69 million compared with KD 18.5 million for 2016, with an increment of 1% than the actual sales of 2016, and a drop of 9.4% than the estimated sales in 2017.

Product	Sales 2017	Sales 2016	Ratio of sales of 2017 compared with 2016
Dehydrated Lime	1,630,684	1,260,157	29%
Hydrated Lime	126,611	280,303	(55)%
Limestone	1,855,643	2,207,235	(16)%
Quarry	223,703	194,038	15%
Filler - Dolomite	760,879	441,663	207%
White Blocks (A.A.C.)	4,642,416	4,310,187	8%
Lintels	310,744	427,604	(27)%
Mortar	402,315	370,169	8,6%
Tile Adhesive - Roof Coating	842,904	866,468	(2,7)%
Cladding	1,303,587	1,327,800	(2)%
Plastic Pipes (PVC)	1,308,031	1,368,376	(4)%
HDPE Pipes	2,090,422	584,863	257%
Paints	867,629	2,822,839	(69)%
Internal Sales Cluncker, Dehydrated Lime, Hydrated Lime, Filler	1,670,118	1,694,560	(1)%

THIRD: MOST SIGNIFICANT PROJECTS COMPLETED IN 2017

Sulaibiya Factories Group:

- The fleet of the Ready Mix factory was increased by adding 8 new concrete mixer trucks with a capacity of 12 sqm and a concrete pump with a length of 56 meters.
- Converting the weight balances (A1, B1, B2) to 100% electronic balances in the Tiles and Kerbstone Factory.
- Designing a new concrete pipe with a diameter of 2100 mm for the first time by the Concrete Pipes Factory in order to provide Al-Zour project, 1,944 pipes were sold for KD 592,422 Million.
- The quantity of the reinforced concrete pipes demanded for the project of Al-Zour Station, was supplied to the spanish company “Tecnicas Reunidad” and to the “United Gulf” Company for KD 1,743,418.
- Four Ready Mix Concrete stations with a production capacity of 640 m^3/hr were assembled in order to provide Al-Zour project. initially, a contract was signed with “Hyundai Engineering Co. LTD”, “Hyundai Engineering & Construction” and “Al-Zour LNG Import Project” to provide 740,000 m3 of ready mix concrete in 3 years, an amount with a value of KD 4,303,008 were supplied already in the thirs and fourth quarters of 2017.
- The required amount of Ready Mix Concrete to supply Al-Jahra Road RA 166 project was accomplished for a total sales value of KD 2,144,027.
- Ready Mix Concrete is being provided to “Al-Ghanim International Company” in order to supply Al-Wafra Road project RA 238, the quantity already provided reached a value of KD 4,111,129 in 2017, the project still underway in 2018. (Ready Mix Factory of Mian Abdullah).

Mina Abdullah Factories Group:

- A new production line “Profile” was installed in the HDPE factory with a production capacity of 7,200 Ton/year, which was operated in full capacity in December 2017.
- A production line was installed to manufacture “HDPE Sheet” for the electric cable ducts.
- An agreement was accomplished with “Kolin” Turkish company for (Al-MItla’a Project - Contract no.1036) for providing HDPE pipes for rainfall, high pressure HDPE pipes, plastic pipes with a value of KD 9,117,997 Rainfall pipes supply was commenced in the second quarter of 2017 with a value of KD 1,037,390 and its expected to be accomplished in June 2019.
- HDPE pipes ware provided to various projects with a value of KD 957,981.

FOURTH: MOST SIGNIFICANT PROJECTS UNDERWAY IN 2017

Sulaibiya Factories Group:

- Developing the main cooling station in Sulaibiyah.
- An agreement signed with “Arab Contractors Co. - RA 217” to provide 200,000 sqm of Ready Mic Concrete in the first quarter of 2018 through the ready mix station of Al-Zour project.
- Installment and operating the cladding plant in Sulaibiya Factories Group in the end of the second quarter of 2018.
- A new product was created (Rainfall Kerbstone) on the recommendation of the Ministry of Public Works, and it was listed in the new maintenence projects in 2018.
- Reinforcing the fleet of Ready Mix Concrete by 10 concrete mixer trucks with a capacity of 12 cube meters and 2 concrete bumper trucks with a length of 56 meters, in order to supply the housing units project in west Jleeb Al Shyoukh, and another projects listed in the nearby areas in 2018.
- Developing of “Henky” production piston no.4, in order to improve the quality of the smoothed yard tiles and to increase the production capacity.

Mina Abdullah Factories Group:

- Increasing the product capacity of the lentils to reach the double.
- Adjusting the old factory to produce “Tongue and Groove” of the white blocks “A.A.C.”.
- Expanding the Paints Factory to increase its production capacity to reach 45 ton/day of Fortex product and 26 Ton/day of the other products.
- Demand on HDPE high pressure pipes for oil pipe lining is expected to increase.

FIFTH: INFORMATION TECHNOLOGY

As an interest of the company to develop its works in the field of client service and raising up the efficiency of performance, The Information Technology Department of the National Industries Company has adopted a strategy to follow the optimal documentary cycle using the cloud applications provided by Oracle Company, as a system includes the Human Force, the Financial and Administrative Affairs, Warehouse, Purchasing, Manufacturing and Sales Planning, So that the mentioned applications allow for the benefit of the experience of the international companies in the fields of Management and Manufacturing.

This step is considered a guarantee for the sustainability of the process development automatically by international experts without the need for automated programs or purchasing and developing new computer systems.

SIXTH: AFFILIATED & SISTER COMPANIES

A. Affiliated Companies

1. Building system Industries Co.

Kuwait - NIC Ownership 100%

- The Building Systems Industries Company was incorporated in 15/6/2004 to become the executive arm for NIC to perform the constructive projects, Financial Statements of the company showed a loss of KD 70 thousands in 2017 compared to KD 25 thousands in 2016, noting that the total equity of shareholders amounter to KD 924,379 with a capital of KD 500,000
- In the first quarter of 2017, the company had signed a contract to construct buildings of the Public Authority for Housing Welfare for a value of KD 2,248,500 and its expected that the project will be accomplished in the second quarter of the recent year, moreover, Kuwait Municipality had issued a change order with a value of KD 1,317,223 in order to complete the project of Food Testing Laboratory in Shuwaikh will be commenced in the recent year, in addition, the company is working on constructing the building of a fire station in Sabah Al-Ahmad area which was contracted in 2016 for a value of KD 1,473,020 and expected to be accomplished in the first quarter of 2019.

2. N.I.Ceramics.

Kuwait - NIC Ownership 86.4%

- The paid up capital was increased to KD 15 Million.
- The company sustained losses of KD 671 thousands in 2017 for a loss of KD 25 thousands in 2016.
- Company's products were endorsed by all ministries in Kuwait.
- The company's products were included among the promoted constructive materials for housing subscribers.
- A new line was appended for smoothening the porcelain.

3. Saudi Insulation Bricks Co.

A.A.C. Factory - Al-Riyadh, Jeddah, KSA (NIC Ownership 50%)

- The paid up capital is increased to SAR 1000 million after it was SAR 50 million in 2015, maintaining the same ratios of shareholding.
- The company sustained loss of SAR 3.85 million in 2017 for a loss of SAR 4.15 million in 2016.
- Sales have amounted to SAR 20.4 million in 2017 for SAR 37.5 million in 2016, expected to achieve upward earnings.
- Shareholders equities have dropped to SAR 89.4 million in 2017 for SAR 92.9 million in 2016, noting that lands owned by the company are valued based on the purchase price in 2007.
- The company's products have been endorsed as a demended products for insulating in all the constructions in the Kingdom by implementing the compulsory buildings insulation decree.
- A new furnace was appended in order to enhance the production in Riyadh.
- The company has been restructured in both administrative and operational aspects, which helps to reduce costs.

B. Sister Companies

1. Insulated Building Systems Factory

A.A.C Blocks Factory - Kingdom of Bahrain - NIC Ownership 50%

- The paid up capital was increased from BHD 300 thousand to BHD 4 million with the same ratio for the shareholders.
- Profits of BHD 169 thousand have been achieved in 2017 for profits of BHD 251 thousands in 2016.

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

A.A.C. Factory – Sohar, Sultanate Of Oman - (NIC Ownership 33.66%)

- The company sustained losses of OMR 810 thousands in 2017 for a loss of OMR 727 thousand in 2016, accumulated losses in 2017 reached OMR 3.28 millions.
- Restructuring and increasing the paied up capinal are underway.

3. United Gulf Pipe Manufacturing Co.

HDPE Pipes Factory - Muscat, Sultanate of Oman - NIC Ownership 45%

- Increment of the paid up capital was completed to become OMR 4.5 millions after it was OMR 3 millions, and NIC shares were increased from 30% to 45%.
- All production lines have been run.
- The company is working on promoting its products in all GSS states.
- The company sustained a loss of OMR 1.8 million in 2017 for a profit of OMR 829 million in 2016.
- The company obtains recent contracts can cover its productive capacity for 2018, which promise with a good upcoming year.

4. Al-Raya Global Real Estate Co.

Kuwait - NIC Ownership 25.32%

- NIC Shares ware increased from 22.4% in 2016 to become 25.32% in 2017, by purchasing additional shares from the stock market.
- The company obtained profits of KD 105 thousand in 2017, according to the financial statements presented by the its administration, for a loss of KD 776 thousand in 2016.
- The company has reduced its paid up capital from KD 9.6 million to become KD 5.35 million by distributing a cash amount of KD 4.250 million to the shareholders.
- Another reduction of the paid up capital with an amount of KD 3.65 million will be ongoing in the General Assambly of 2017 to become KD 1.6 million.

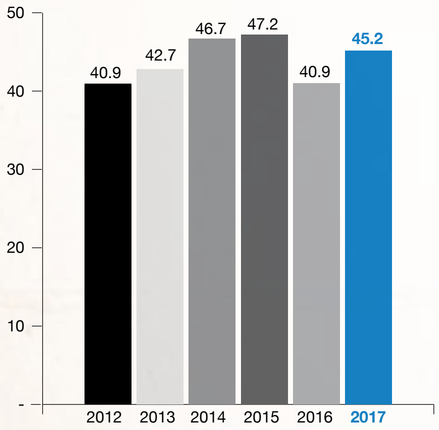
5. Saudi Sand Lime Bricks & Building Materials Co.

Al-Riyadh, KSA - NIC Ownership 10%

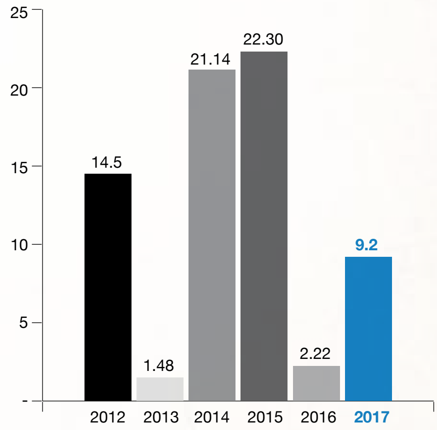
- The company achieved a net profit of SAR 20 million in 2017.
- The company completed the programs of production expansion, and all its furnaces are running in high efficiency.
- A five-year plan is being prepared for the company, includs the expansions and costs considering the economic changes in the Saudi market.

NIC Financial Performance
(2012 – 2017)

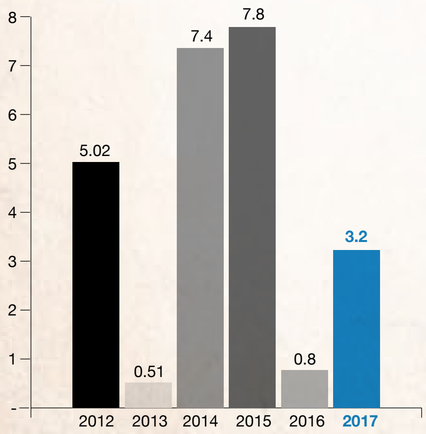
Item	2017	2016	2015	2014	2013	2012
Capital	35,021,251	34,924,657	34,793,545	34,675,783	34,650,792	34,620,187
Sales	45,141,856	40,997,520	47,189,831	46,670,326	42,771,211	40,909,348
Invested Assets	113,738,560	112,912,802	113,762,317	110,948,379	107,031,522	114,175,581
Shareholders' Equity	84,996,627	85,191,489	89,813,657	89,345,010	80,337,826	81,113,465
Net Profit	3,223,553	773,927	7,787,570	7,359,730	512,572	5,025,725
Dividend	9.189	2.218	22.30	21.14	1.48	14.5
Book Value	242	244	258	258	232	234
Return on Equity	3.79%	1%	8.7%	8.24%	0.64%	6.2%
Dist. Profit Cash		10	20	15	-	12
Dist. Profit Bonus		-	-	-	-	-



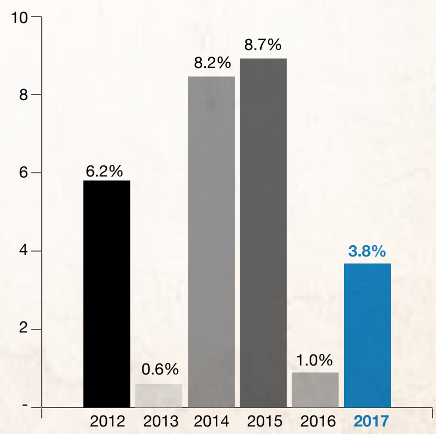
Sales *(KD Million)*



Dividend *(Fils)*

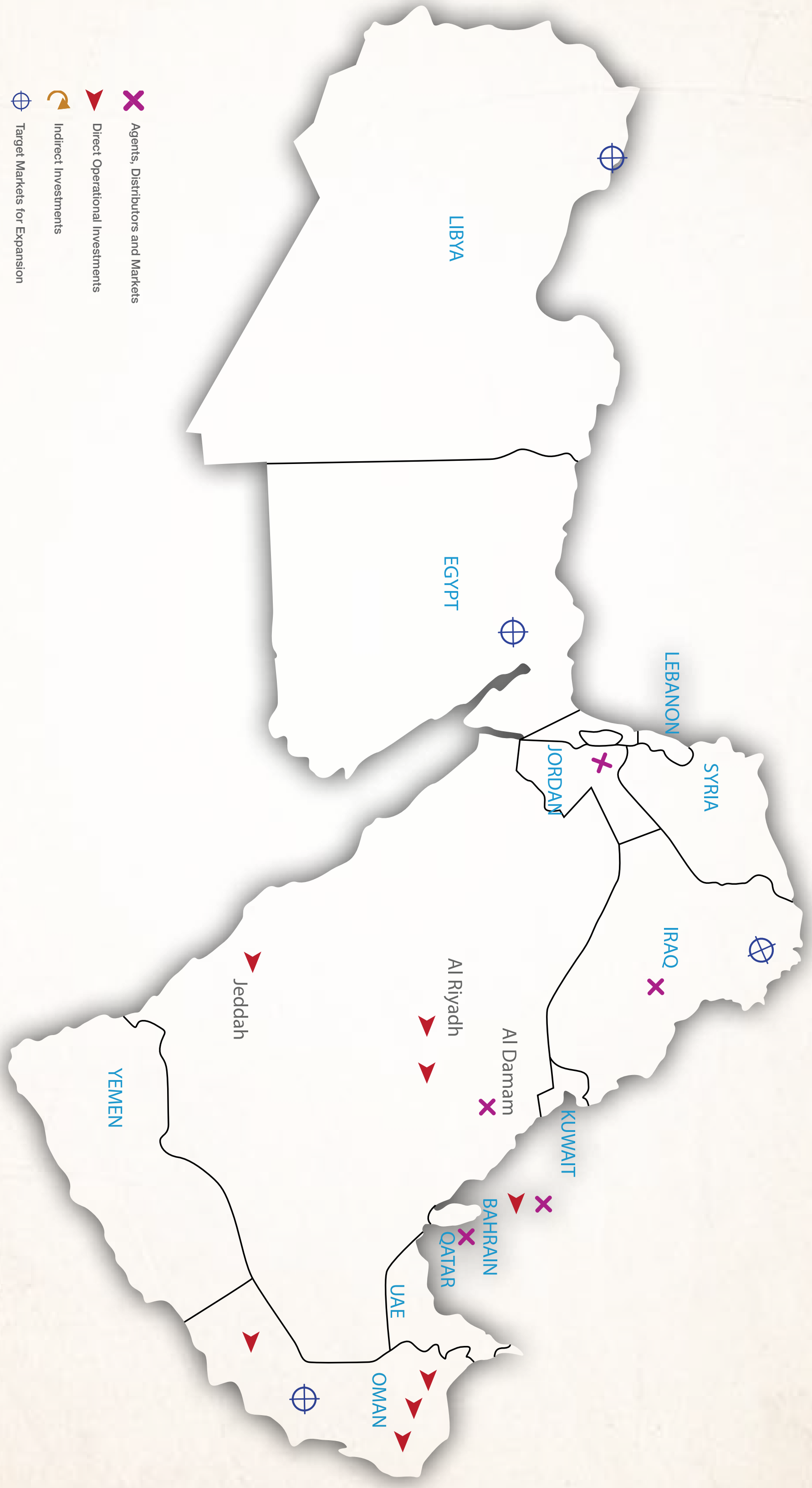


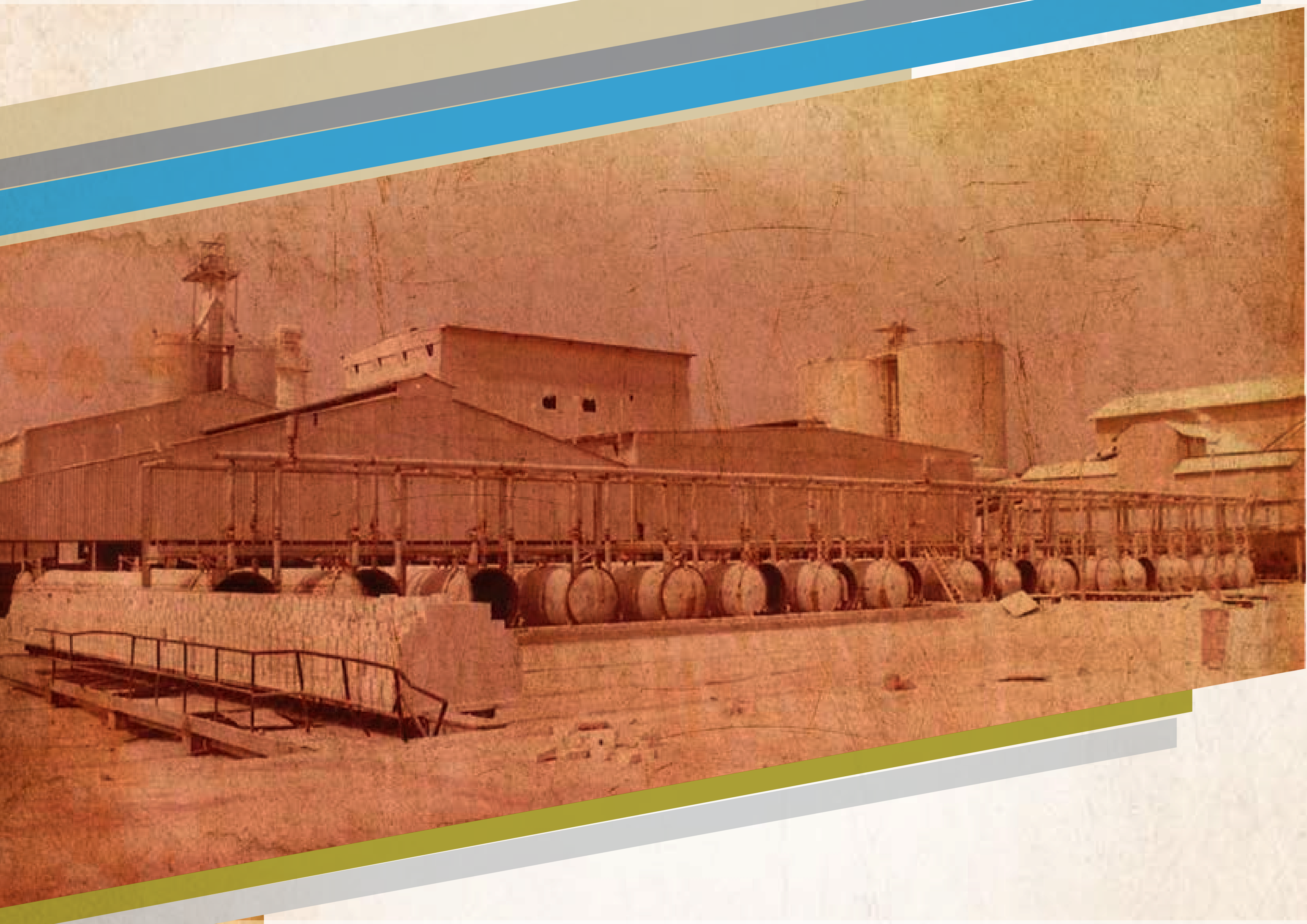
Net Profit *(KD Million)*



Return on Equity *(%)*

Company's Regional Investments & Distributors





Expansion of the Limestone Factory in 60s by increasing its furnaces in order to meet the growing demand on this product, and to meet the requirements of modernity.

Governance 2017

National Industries Company (K.P.S.C) believes in the role of governance to achieve development and enhance transparency, supervision and economic growth in the company, beside ensuring impartiality and integrity, to all its employees ranging from the Board of Directors and executive managers to the employees with lowest levels, thereby, the company has adopted the “Governance Guide” in order to be followed, and to comply with what was stated therein, and to be the basis of responsibility and accountability.

Board of Directors Structure

Member	Position	Qualifications and Experience	Date of election / appointment of the Secretary
Mr. Abdulaziz Ibrahim Al-Rabiah	Chairman (Non-Executive)	Bachelors Degree	21/4/2017
Dr. Adel Khaled Al Subeih	Deputy Chairman and Managing Director (Executive)	Ph.D.	21/4/2017
Mr. Ahmad Mohammad Hassan	Director (Non-Executive)	Bachelors Degree	21/4/2017
Mr. Hamad Mohammed Al-Saad	Director (Non-Executive)	Bachelors Degree	21/4/2017
Mr. Abdullrahman Shaikhan Al-Farisi	Director (Independent)	Bachelors Degree	21/4/2017
Mr. Hani M. El-Sherbini	Board Secretary	Bachelors Degree	21/4/2017

Board of Directors meetings in 2016:

Member	Meeting 1 dated in 9/3/2017	Meeting 2 dated in 16/3/2017	Meeting 3 dated in 14/5/2017	Meeting 4 dated in 2/8/2017	Meeting 5 dated in 8/11/2017	Meeting 6 dated in 26/12/2017	Number of meetings held
Mr. Abdulaziz Ibrahim Al-Rabiah (Chairman)	✓	✓	✓	✗	✓	✗	4
Dr. Adel Khaled Al Subeih (Deputy Chairman)	✓	✓	✓	✓	✓	✓	6
Mr. Abdullrahman Shaikhan Al-Farisi (Independent Director)	✓	✗	✓	✓	✓	✓	5
Mr. Ahmad Mohammad Hassan (Director)	✓	✓	✓	✓	✓	✓	6
Mr. Hamad Mohammed Al-Saad (Director)	✗	✓	✓	✗	✓	✓	4
Mr. Hani M. El-Sherbini (Board Secretary)	✓	✓	✓	✓	✓	✓	6

Recording, coordination and conserving the minutes of meetings of the Board of Directors

- The Board Secretary works on recording, coordinating and conserving the minutes of meetings, records and reports submitted by and to the board.
- Records are arranged sequentially specifying the place and date of the meeting.
- The Board Secretary confirms that himself and the attended board members have signed in the minutes of meetings.
- Minutes of meetings have to be achieved as a hard copy and a soft copy.

Board of Directors Duties and Achievements:

- Board of Directors takes full responsibility for the company, including the Strategic plans, the progressive objectives, and supervising the implementing and following-up.
- Discussing and approving the estimated budget, the interim and annual financial statements of the company.
- Develop and approve the annual business plan.
- The Board of Directors oversees the Executive Management of the Company, including the Chief Executive Officer.
- The Board of Directors has appointed an Executive Chairman with technical competence and expertise.
- The Board of Directors has clearly separated the duties of the Chairman and the Chief Executive Officer, so as not to affect the independence of the decisions taken by either of them.
- The Board of Directors oversees and supervises the executive management of the Company, and ensures that it performs the tasks and duties entrusted to it, in accordance with the policies approved by the Board of Directors, in order to achieve the purposes and objectives of the Company.
- Forming committees emerged from the Board of Directors and determining the duration, powers and responsibilities of these committees.
- Following up the progress of the work of the company periodically through the regular meetings held with the executive management.
- Adopting the Corporate Governance Guide abiding with applying the ideal governance rules.
- Adopting a manual of policy and conflict of interest in the company and working in accordance.
- Supervising the implementation of administrative and financial regulations and ensuring proper application thereof

Internal Audit and Risk Management Committee

- Committee members:

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

- The committee has held 4 meetings in 2017
- Quorum is completed by the attendance of two members.
- Membership in the committee is valid either for 3 years, or until the entitlement of the board elections, which is first.

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

1. Reviewing the financial statements before having them submitted to the Board of Directors.
2. Recommendation for appointing and reappointing or changing the external auditors, determining their fees and following up on their work and discussing their observations on the company's financial statements.
3. Discussing the accounting policy of the company.
4. Assessing the adequacy of the Company's Internal Control systems.
5. Supervising the internal audit department and recommending the appointment or isolation of the audit manager
6. Reviewing and confirming the proposed audit plans, and review the results of the internal audit reports.
7. Ensuring that the company complies with laws, policies and regulations.
8. Preparing and reviewing the Risk Management strategies and policies.
9. Ensuring the availability of resources and systems for Risk Management
10. Evaluation of the systems and mechanisms for identifying, measuring and monitoring risks to which the Company may be exposed.
11. Assisting the Board of Directors in identifying and evaluating the level of acceptable risk in the Company.
12. Reviewing the organizational structure of Risk Management
13. To ensure the independence of the Risk Management personnel and that they have a full understanding of the risks the company may encounter.
14. Preparing periodic reports on the nature of the risks that may face the company.

The rights of board members to access information

- All available information to be discussed at any meeting of the Board of Directors shall be delivered within 3 business days of the meeting.
- The Board member shall have sufficient time to study and discuss the topics on the agenda of the meeting.
- The board member is entitled to access the relevant and reliable information, and to obtain such information from the company, including dealing directly with the personnel concerned.

Tasks and achievements of the Nomination and Remuneration Committee

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

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

- The total remuneration of directors achieved KD 130,000 for the fiscal year ended 31/12/2017 and subject to the approval of the General Assembly of the company.
- During 2017, the company distributed 965,944 shares to the executive management of the company as bonuses according to the rules of the employee share program by granting the shares of the headquarters from the general assembly of the company.

Ensuring the integrity of the Financial Reports

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

Risk Management and Internal Control

- The Board of Directors works on strengthening the Internal Control of the company in order to provide the necessary protection against any internal or external risks.
- The Risk Unit of the Company, in coordination with the Internal Audit and Risk Management Committee of the Board, verifies the adequacy and effectiveness of the Company's Internal Control systems.
- The Company has commissioned an independent auditing company in accordance with the requirements of the Capital Market Authority, The observations accomplished in the Internal Control examination and evaluation do not materially affect the financial statements of the year ended 31/12/2017.

Professional Behavior and Ethical Values

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

Disclosure and Transparency

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

Respect for Shareholders' Rights

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

Rights of Stakeholders

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

Enhancement and Improvement in Performance

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

Social Responsibility

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

Internal Audit Committee's Report 2017

Head of the committee's message

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

Forming a Committee for Internal Auditing

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

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

The committee conducted 4 meetings during 2017 as shown hereunder:

Name of member	Meeting (1) held in 3/3/2017	Meeting (2) held in 15/5/2017	Meeting (3) held in 14/11/2017	Meeting (4) held in 1/12/2017	Number of meetings
Mr. Ahmad Mohammed Hassan Committee Head	✓	✓	✓	✓	4
Mr. Abdul Rahman Shikhan El Farisi Member	✗	✓	✓	✓	3
Mr. Hammad Mohammed El Saad Member	✓	✓	✗	✓	3

It is of our pleasure to present herein the report that states the achievements of the committee during the financial year ended in 31/12/2017 detailed as the following:

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

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

Achievements of the Internal Audit and Risk Management Committee

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

   The committee reviewed the interim and annual financial statements of the company as well as the reports done by the auditors before being submitted to board of directors.
2. Discussing and approving the estimated budget of the company for 2017:

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

   The internal audit and risk management committee recommended to board of directors reassigning Mr. Anwar Yousef Issa Al Katami from (Grant Thornton – Al Katami-Al Abaan & partners as the company auditor for the year 2018.

Head of the Committee
Ahmad M. Hassan

Concrete Pipes Factory after being transfered
to Sulaibiya Factories Group in 80s
one of the largest pipes factories in the Middle East.

Consolidated Financial Statements and Independent Auditor's Report

National Industries Company - KPSC
and Subsidiaries - KUWAIT
31 December 2017

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Grant Thornton
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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 2017, 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 2017, 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

The Group recognizes revenue to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. 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 recognised.

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

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

The Group's disclosures about revenue recognition are included in Note 8.

Revenue by segment is disclosed in Note 26.

Accounts receivable and other assets

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

Our audit procedures included testing the Group's controls over the receivables' collection processes; considering the receipt of cash after the year end; and testing the adequacy of the Group's provisions against trade receivables by challenging the relevant assumptions, taking account of our own knowledge of recent collections experience in this industry and also historical data from the Group's previous collections experience. 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 17.

Valuation of Unquoted Available for Sale Financial Assets

The Group's investments in unquoted available for sale financial assets represent 22% of the total assets. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement uncertainty involved in this valuation. As a result, the valuation of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its available for sale financial assets are included in Note 14.

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

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
8 March 2018

Consolidated Statement of Profit or Loss

	Notes	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Revenue			
Revenue from sales and services	8	45,141,856	40,997,520
Cost of sales and services		(36,899,995)	(32,084,655)
Gross profit		8,241,861	8,912,865
Other operating income		486,310	512,293
Investment income	9	817,353	869,709
Share of results of associates	13	(805,417)	348,667
Bargain purchase on acquisition of additional shares of an associate	13	182,023	163,053
Foreign exchange (loss)/gain		(13,087)	3,244
		8,909,043	10,809,831
Expenses and other changes			
Distribution expenses		(2,325,275)	(2,225,411)
General, administrative and other expenses	10	(4,269,928)	(5,860,049)
Finance costs		(2,352)	(2,320)
Impairment of available for sale investments	14	-	(1,530,259)
Reversal of provision for land filling expenses	23	416,000	-
Reversal/(charge) of provision for slow moving inventories	15	46,468	(127,605)
Reversal/(charge) of provision for doubtful debts	17	466,019	(426,500)
Profit before contribution to KFAS, NLST, Zakat and Directors' remuneration		3,239,975	637,687
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(29,863)	(7,495)
Provision for National Labour Support Tax (NLST)		(78,255)	(37,473)
Provision for Zakat		(30,542)	(13,841)
Provision for Directors' remuneration		(130,000)	-
Profit for the year		2,971,315	578,878
Attributable to :			
Owners of the parent company		3,223,553	773,927
Non-controlling interests		(252,238)	(195,049)
Profit for the year		2,971,315	578,878
Basic earnings per share attributable to the owners of the parent company	11	9.217 Fils	2.226 Fils
Diluted earnings per share attributable to the owners of the parent company	11	9.189 Fils	2.218 Fils

The notes set out on pages 12 to 55 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Profit for the year	2,971,315	578,878
Other comprehensive (loss)/income:		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	(367,323)	(150,649)
- Transferred to consolidated statement of profit or loss on impairment	-	1,530,259
- Transferred to consolidated statement of profit or loss on sale	478,509	(63,663)
Exchange differences from translation of foreign operations	(138,357)	115,706
Share of other comprehensive (loss)/income of associates	(5,743)	14,837
Total other comprehensive (loss)/income	(32,914)	1,446,490
Total comprehensive income for the year	2,938,401	2,025,368
Total comprehensive income attributable to:		
Owners of the parent company	3,240,804	2,185,477
Non-controlling interests	(302,403)	(160,109)
	2,938,401	2,025,368

The notes set out on pages 12 to 55 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Notes	31 Dec.2017 KD	31 Dec. 2016 KD
Assets			
Non-current assets			
Property, plant and equipment	12	28,495,498	28,006,931
Investment in associates	13	4,241,413	5,656,599
Available for sale investments	14	35,523,738	36,405,595
		68,260,649	70,069,125
Current assets			
Inventories and spare parts	15	20,781,781	19,611,392
Investments at fair value through profit or loss	16	2,166,848	1,885,967
Accounts receivable and other assets	17	12,980,249	15,725,835
Fixed deposits	18	2,191,309	1,502,500
Cash and bank balances		7,357,724	4,117,983
		45,477,911	42,843,677
Total assets		113,738,560	112,912,802
Equity and liabilities			
Equity			
Share capital	19	35,021,251	34,924,657
Share premium	19	32,486,359	32,364,839
Treasury shares	20	(249,009)	(57,110)
Legal reserve	21	5,086,394	4,737,173
Voluntary reserve	21	440,984	2,826,381
Treasury shares reserve		24	-
Staff bonus shares reserve		179,490	142,183
Other components of equity	22	9,506,023	9,488,772
Retained earnings		2,525,111	764,594
Total equity attributable to the owners of the parent company		84,996,627	85,191,489
Non-controlling interests		5,164,032	5,466,435
Total equity		90,160,659	90,657,924
Liabilities			
Non-current liabilities			
Provision for land filling expenses	23	400,000	767,015
Provision for employees' end of service benefits		5,844,190	5,171,107
		6,244,190	5,938,122
Current liabilities			
Murabaha payable	24	-	530,450
Accounts payable and other liabilities	25	17,333,711	15,786,306
		17,333,711	16,316,756
Total liabilities		23,577,901	22,254,878
Total equity and liabilities		113,738,560	112,912,802

Abdul Aziz Ibrahim Al-Rabia
Chairman

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

The notes set out on pages 12 to 55 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	Legal reserve KD	Voluntary reserve KD	Treasury shares reserve KD	Staff bonus shares reserve KD	Other components of equity (note 22) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2017	**34,924,657**	**32,364,839**	**(57,110)**	**4,737,173**	**2,826,381**	**-**	**142,183**	**9,488,772**	**764,594**	**85,191,489**	**5,466,435**	**90,657,924**
Dividends (note 27)	-	-	-	-	(2,734,618)	-	-	-	(764,594)	(3,499,212)	-	(3,499,212)
Purchase of treasury shares	-	-	(192,872)	-	-	-	-	-	-	(192,872)	-	(192,872)
Sale of treasury shares	-	-	973	-	-	24	-	-	-	997	-	997
Cost of share-based payments (note 19)	-	-	-	-	-	-	165,515	-	-	165,515	-	165,515
Issue of staff bonus shares (note 19)	96,594	121,520	-	-	-	-	(128,208)	-	-	89,906	-	89,906
Transactions with owners	96,594	121,520	(191,899)	-	(2,734,618)	24	37,307	-	(764,594)	(3,435,666)	-	(3,435,666)
Profit/(loss) for the year	-	-	-	-	-	-	-	-	3,223,553	3,223,553	(252,238)	2,971,315
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	-	17,251	-	17,251	(50,165)	(32,914)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	17,251	3,223,553	3,240,804	(302,403)	2,938,401
Transferred to reserves	-	-	-	349,221	349,221	-	-	-	(698,442)	-	-	-
Balance at 31 December 2017	**35,021,251**	**32,486,359**	**(249,009)**	**5,086,394**	**440,984**	**24**	**179,490**	**9,506,023**	**2,525,111**	**84,996,627**	**5,164,032**	**90,160,659**
Balance at 1 January 2016	**34,793,545**	**32,202,714**	**(34,236)**	**4,653,899**	**2,743,107**		**250,002**	**8,077,222**	**7,127,404**	**89,813,657**	**5,626,544**	**95,440,201**
Dividends (note 27)	-	-	-	-	-		-	-	(6,970,189)	(6,970,189)	-	(6,970,189)
Purchase of treasury shares	-	-	(22,874)	-	-		-	-	-	(22,874)	-	(22,874)
Cost of share-based payments (note 19)	-	-	-	-	-		185,418	-	-	185,418	-	185,418
Issue of staff bonus shares (note 19)	131,112	162,125	-	-	-		(293,237)	-	-	-	-	-
Transactions with owners	131,112	162,125	(22,874)	-	-		(107,819)	-	(6,970,189)	(6,807,645)	-	(6,807,645)
Profit/(loss) for the year	-	-	-	-	-		-	-	773,927	773,927	(195,049)	578,878
Other comprehensive income for the year	-	-	-	-	-		-	1,411,550	-	1,411,550	34,940	1,446,490
Total comprehensive income/(loss) for the year	-	-	-	-	-		-	1,411,550	773,927	2,185,477	(160,109)	2,025,368
Transferred to reserves	-	-	-	83,274	83,274		-	-	(166,548)	-	-	-
Balance at 31 December 2016	**34,924,657**	**32,364,839**	**(57,110)**	**4,737,173**	**2,826,381**		**142,183**	**9,488,772**	**764,594**	**85,191,489**	**5,466,435**	**90,657,924**

The notes set out on pages 12 to 55 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
OPERATING ACTIVITIES		
Profit for the year	2,971,315	578,878
Adjustments:		
Depreciation of property, plant and equipment	3,129,444	3,661,524
Loss/(gain) on write off of property, plant and equipment	40,064	(167,411)
Loss/(gain) on sale of available for sale investments	58,385	(79,670)
Share of results of associates	805,417	(348,667)
Bargain purchase on acquisition of additional shares of an associate	(182,023)	(163,053)
Impairment of available for sale investments	-	1,530,259
Dividend income from available for sale investments	(270,041)	(343,963)
Dividend income from investments at fair value through profit or loss	-	28,817
Income from short term Murabaha	(231,390)	(238,964)
Cost of share based payment	255,421	185,418
Interest income	(40,083)	(5,986)
Finance costs	2,352	2,320
Foreign exchange loss on non-operating assets and liabilities	1,970	(369,796)
Provision for land filling expenses	48,985	25,445
(Reversal)/charge of provision for slow moving inventory	(46,468)	127,605
(Reversal)/charge of provision for doubtful debts	(466,019)	426,500
Reversal of provision for land filling expenses	(416,000)	-
Provision for employees' end of service benefit	1,350,441	718,235
	7,011,770	5,567,491
Changes in operating assets and liabilities:		
Inventories and spare parts	(1,123,921)	(936,265)
Investments at fair value through profit or loss	(280,881)	75,559
Accounts receivable and other assets	3,246,222	(2,827,744)
Accounts payable and other liabilities	1,492,236	3,742,511
Operating cash flow	10,345,426	5,621,552
Employees' end of service benefit paid	(677,358)	(447,906)
Net cash flow from operating activities	9,668,068	5,173,646

The notes set out on pages 12 to 55 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,760,375)	(4,538,284)
Investment in associates – net	748,022	101,023
Proceeds on redemption/sale of available for sale investments	934,658	346,079
Dividend income received from available for sale investments	270,041	343,963
Dividend income received from investments at fair value through profit or loss	-	28,817
Fixed deposits	(688,809)	5,722,500
Income received from short term Murabaha	226,691	238,964
Interest income received	10,165	5,986
Net cash flow (used in)/from investing activities	(2,259,607)	2,249,048
FINANCING ACTIVITIES		
Repayment of Murabaha payable	(530,450)	(105,523)
Purchase of treasury shares	(192,872)	(22,874)
Sale of treasury shares	997	-
Finance costs paid	(2,352)	(2,320)
Dividends paid	(3,444,043)	(6,970,189)
Net cash flow used in financing activities	(4,168,720)	(7,100,906)
Net increase in cash and cash equivalents	3,239,741	321,788
Cash and cash equivalents at beginning of the year	4,117,983	3,796,195
Cash and cash equivalents at end of the year	7,357,724	4,117,983

The notes set out on pages 12 to 55 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. INCORPORATION AND ACTIVITIES

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

The main objectives of the parent company are as follows:

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

The group comprises the parent company and its subsidiaries (note 7).

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

These consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the board of directors of the parent company on 8 March 2018. The parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2. BASIS OF PREPARATION

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss and financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

3. 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.

4. ACHANGES IN ACCOUNTING POLICIES

4.1 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 2017 which have been adopted by the group. Information on these new standards is presented below:

Standard or Interpretation	Effective for annual periods beginning
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes).

The Amendments:

require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement

suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:

changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses

a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The application of the amendments did not have any impact on the consolidated financial statements of the group.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B10-B16) apply to an entity's interests in a subsidiary, joint venture or an associate irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The application of the amendments did not have any impact on the consolidated financial statements of the group as none of the group entities are classified as, or included in disposal group that is classified as held for sale.

4. Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these 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
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture – Amendments	No stated date
IFRS 2 Share-based Payment- Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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

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

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

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

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

4. Changes in accounting policies (continued)
4.2 IASB Standards issued but not yet effective (continued)

IFRS 2 Share-Based Payment- Classification and Measurement

The amendments relate to clarification on the following:

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

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

IFRS 9 Financial Instruments

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

The main areas of expected impact are as follows:

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

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

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

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

Based on the analysis of the group's financial assets and liabilities as at 31 December 2017 and of the circumstances that existed at that date, management of the group have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the group as follows:

4. Changes in accounting policies (continued)
4.2 IASB Standards issued but not yet effective (continued)

Classification and measurement:

Management holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

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

As a result of new classifications, equity investments amounting to KD 35,523,738 will be reclassified from Available for Sale to FVOCI and will result in reversal of previously recognised impairment losses amounting to KD 44,942,304 related to these investments from retained earnings to the fair value reserve.

In addition, there is no impact on equity investments classified at FVTPL as the management will continue to measure these investments at FVTPL.

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

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

Impairment:

The group expects to apply simplified approach to impairment for accounts receivable and due from related parties as required or permitted under the standard.

The parent company's management is currently in the process of assessing the impact of this simplified approach but does not expect a significance effect in case of applying the standard on the group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:

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

4. Changes in accounting policies (continued)
4.2 IASB Standards issued but not yet effective (continued)

The standard includes important guidance, such as

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

The management does not expect that applying the standard in the future will have a significant impact on the group's consolidated financial statements.

IFRS 16 Leases

- IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.
- Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:
- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalized and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

4. Changes in accounting policies (continued)
4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method and measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of consolidation

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

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

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

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

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

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

5. Significant accounting policies (continued)

5.2 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 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

5.3 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.

5.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

Revenue arises from the sale of goods and rendering of services and is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.4.1 Sale of goods

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

5. Significant accounting policies (continued)
5.4 Revenue (continued)

5.4.2 Construction contracts

When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred.

In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in consolidated statement of profit or loss.

A construction contract's stage of completion is assessed by management based on milestones (usually defined in the contract) for the activities to be carried out under the contract and other available relevant information at the reporting date. The maximum amount of revenue recognised for each milestone is determined by estimating relative contract fair values of each contract phase, i.e. by comparing the group's overall contract revenue with the expected profit for each corresponding milestone. Progress and related contract revenue in-between milestones is determined by comparing costs incurred to date with the total estimated costs estimated for that particular milestone (a procedure sometimes referred to as the cost-to-cost method).

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

5.4.3 Interest and similar income

Interest income and expenses 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.

5.4.4 Dividend income

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

5.5 Operating expenses

Operating expenses are recognised upon utilisation of the service or at the date of their origin.

5.6 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.

5.7 Taxation

5.7.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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.

5.7.2 National Labour Support Tax (NLST)

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 subjected to NLST are deducted from the profit for the year.

5. Significant accounting policies (continued)
5.7 Taxation (continued)

5.7.3 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.

5.8 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.

5.9 Investment in associates

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

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

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

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

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

5. Significant accounting policies (continued)

5.10 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.

5.11 Financial instruments

5.11.1 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 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

the group has transferred substantially all the risks and rewards of the asset or

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.

5.11.2 Classification and subsequent measurement of financial assets

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

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL 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:

• ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

5. Significant accounting policies (continued)
5.11 Financial instruments (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The group categorises loans and receivables into following categories:

• ***Trade receivables***

Trade receivables are stated at original invoice 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.

• ***Fixed deposits***

Fixed deposits are stated at the balance invested and do not include related accrual of profit.

• ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

• ***Financial assets at FVTPL***

Classification of investments as financial assets at FVTPL depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in 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.

• ***AFS financial assets***

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5. Significant accounting policies (continued)
5.11 Financial instruments (continued)

5.11.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include trade payables and Murabaha payables.

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

• ***Financial liabilities other than at fair value through statement of profit or loss***

These are stated using effective interest rate method. Trade payables and Murabaha payables are classified as financial liabilities other than at FVTSI.

- *Trade payables*

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

- *Murabaha payables*

  Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under Murabaha arrangements. Murabaha payables are 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.

5.11.4 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.

5.11.5 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.

5.11.6 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.

5.11.7 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.

5.12 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.

5. Significant accounting policies (continued)
5.12 Equity, reserves and dividend payments (continued)b

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 available for sale financial assets
- Treasury shares reserve – comprises gains and losses arising from sale of treasury shares

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.

5.13 Treasury shares

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

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

5.14 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.

5.15 Foreign currency translation

5.15.1 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.

5.15.2 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.

5. Significant accounting policies (continued)
5.15 Foreign currency translation (continued)

5.15.3 Foreign operations

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

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

5.16 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.

5.17 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.

5.18 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 27). 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.

6. SIGNIFICANT MANAGEMENT JUDGEMENTS AND 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.

6.1 Significant management judgments

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

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as at fair value through profit or loss depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as at fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 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.

6.2 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

6.2.1 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognize 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 recognizes the amount in the consolidated statement of profit or loss.

6.2.2 Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6. Significant management judgements and estimation uncertainty (continued)
6.2 Estimates uncertainty (continued)

6.2.3 Impairment of trade receivables

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. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

6.2.4 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.

6.2.5 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.

6.2.6 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. 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.

7. SUBSIDIARIES

The details of the subsidiaries are as follows:

7.1 Composition of the group

	Percentage of ownership			
Name of Subsidiary	Country of incorporation	31 Dec. 2017 %	31 Dec. 2016 %	Purpose
Building Systems Industries Company – WLL (7.1.1)	Kuwait	98	98	Construction and contracting
National Industries Company for Ceramic - KSCC (7.1.2)	Kuwait	86.427	86.427	Manufacturing
Saudi Insulation Bricks Company – WLL (7.1.2)	Saudi Arabia	50	50	Manufacturing

7.1.1 The group has consolidated Building Systems Industries Company – WLL using the audited financial statements for the fiscal year ended 30 November 2017. Other shareholders, who own the remaining 2% of the share capital, signed a waiver for the 2% share in favour of the parent company, which in turn, resulted in a 100% ownership of the subsidiary by the parent company.

7.1.2 The group consolidated National Industries Company for Ceramic - KSCC and Saudi Insulation Bricks Company –WLL using the management accounts for the financial year ending 31 December 2017.

7.2 Subsidiaries with material non-controlling interests

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

	Proportion of ownership interests and voting rights held by the NCI		Loss allocated to NCI		Accumulated NCI	
Name of Subsidiary	31 Dec. 2017 %	31 Dec. 2016 %	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Saudi Insulation Bricks Company – WLL	50%	50%	(139,733)	(168,861)	3,589,741	3,779,639
National Industries Company for Ceramic – KSCC	13.573%	13.573%	(112,505)	(26,188)	1,574,291	1,686,796

No dividends were paid to the NCI during the years 2017 and 2016.

7. Subsidiaries (continued)
7.2 Subsidiaries with material non-controlling interests (continued)

Saudi Insulation Bricks Company –WLL

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

	31 Dec. 2017 KD	31 Dec.2016 KD
Non-current assets	7,479,315	7,729,570
Current assets	1,497,598	2,107,735
Total assets	8,976,913	9,837,305
Non-current liabilities	66,188	41,711
Current liabilities	1,731,243	2,236,316
Total liabilities	1,797,431	2,278,027
Equity attributable to the owners of the parent company	3,589,741	3,779,639
Non-controlling interests	3,589,741	3,779,639
Total equity	7,179,482	7,559,278

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec.2016 KD
Revenue	1,636,501	3,052,304
Loss for the year attributable to the owners of the parent company	(139,733)	(168,861)
Loss for the year attributable to NCI	(139,733)	(168,861)
Loss for the year	(279,466)	(337,722)
Other comprehensive (loss)/income for the year attributable to the owners of the parent company	(50,165)	34,940
Other comprehensive (loss)/income for the year attributable to NCI	(50,165)	34,940
Total other comprehensive (loss)/income for the year	(100,330)	69,880
Total comprehensive loss for the year attributable to the owners of the parent company	(189,899)	(133,921)
Total comprehensive loss for the year attributable to NCI	(189,899)	(133,921)
Total comprehensive loss for the year	(379,798)	(267,842)
Net cash flow from operating activities	68,874	424,005
Net cash flow from used in investing activities	(52,561)	(405,022)
Net cash flow	16,313	18,983

Notes to the Consolidated Financial Statements *(continued)*

7. Subsidiaries (continued)
7.2 Subsidiaries with material non-controlling interests (continued)

National Industries Company for Ceramic -KSCC

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

	31 Dec. 2017 KD	31 Dec.2016 KD
Non-current assets	14,934,524	16,115,767
Current assets	7,692,260	7,957,342
Total assets	22,626,784	24,073,109
Non-current liabilities	359,932	225,043
Current liabilities	14,180,199	14,270,264
Total liabilities	14,540,131	14,495,307
Equity attributable to the owners of the parent company	6,989,052	8,277,808
Non-controlling interests	1,097,601	1,299,994
Total equity	8,086,653	9,577,802

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec.2016 KD
Revenue	4,713,410	5,783,418
Loss for the year attributable to the owners of the parent company	(1,288,755)	(723,129)
Loss for the year attributable to NCI	(202,394)	(113,565)
Loss for the year	(1,491,149)	(836,694)
Total comprehensive loss for the year attributable to the owners of the parent company	(1,288,755)	(723,129)
Total comprehensive loss for the year attributable to NCI	(202,394)	(113,565)
Total comprehensive loss for the year	(1,491,149)	(836,694)
Net cash flow from operating activities	1,164,029	1,164,617
Net cash flow used in investing activities	(437,702)	(1,521,395)
Net cash flow used in financing activities	(463,835)	(109,630)
Net cash flow	262,492	(466,408)

8. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The group has no interests in unconsolidated structured entities.

Revenue from sales and services

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Sale of building and infrastructure materials	44,329,191	40,491,327
Contracting revenue	812,665	506,193
	45,141,856	40,997,520

9. INVESTMENT INCOME

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
(Loss)/gain on sale of available for sale investments	(58,385)	79,670
Dividend income from available for sale investments	270,041	343,963
Dividend income from investments at fair value through profit or loss	-	28,817
Income from investments at fair value through profit or loss	334,224	172,309
Income from short term Murabaha	231,390	238,964
Interest and other income	40,083	5,986
	817,353	869,709

10. GENERAL, ADMINISTRATIVE AND OTHER EXPENSES

General and administrative expenses for the year ended 31 December 2016 include cost of provision for gas usage for previous years amounting to KD2.7 Million. During the last 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 which is included in other liabilities (note 25). Also, the parent company appealed the ruling though the judgment is still pending.

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

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

	Year ended 31 Dec. 2017	Year ended 31 Dec. 2016
Profit for the year attributable to the owners of the parent company (KD)	3,223,553	773,927
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	349,751,181	347,735,350
Shares to be issued for no consideration under share-based payments	1,055,362	1,213,206
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	350,806,543	348,948,556
Basic earnings per share attributable to the owners of parent company	9.217 Fils	2.226 Fils
Diluted earnings per share attributable to the owners of parent company	9.189 Fils	2.218 Fils

12. PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Consolidated Financial Statements *(continued)*

12. Property, plant and equipment (continued)

31 December 2016	Land KD	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
Cost							
At 1 January	1,469,677	33,799,223	51,151,349	11,381,633	5,032,341	2,627,230	105,461,453
Additions/transfers	-	334,918	3,491,010	1,522,700	513,570	(1,323,914)	4,538,284
Write-off/disposals	-	-	(11,322)	(417,691)	(1,123,796)	-	(1,552,809)
Foreign currency adjustments	13,121	21,779	81,678	1,322	714	718	119,332
At 31 December	1,482,798	34,155,920	54,712,715	12,487,964	4,422,829	1,304,034	108,566,260
Accumulated depreciation							
At 1 January	-	23,772,967	39,839,334	10,286,746	4,494,186	-	78,393,233
Charge for the year	-	717,109	2,166,485	590,393	187,537	-	3,661,524
Relating to write-off/disposals	-	-	(72,279)	(411,884)	(1,045,561)	-	(1,529,724)
Foreign currency adjustments	-	5,084	27,680	1,238	294	-	34,296
At 31 December	-	24,495,160	41,961,220	10,466,493	3,636,456	-	80,559,329
Net book value At 31 December	1,482,798	9,660,760	12,751,495	2,021,471	786,373	1,304,034	28,006,931

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

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

13. INVESTMENT IN ASSOCIATES

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

		Percentage of ownership		
	Country of incorporation	31 Dec. 2017	31 Dec. 2016	Purpose
Kuwait Rocks Company – KSCC (under liquidation)	Kuwait	38%	38%	Building materials
Al-Raya Global Real Estate Co. – KSCC	Kuwait	25.32%	22.39%	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%	32.5%	Manufacturing

All of the above associates are unquoted.

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Balance at beginning of the year	5,656,599	5,185,237
Share of results of associates	(805,417)	348,667
Bargain purchase on acquisition of additional shares of an associate (13.1.1)	182,023	163,053
Capital reduction (13.1.1)	(1,076,100)	(231,415)
Additions (13.1.2)	328,078	130,394
Share of other comprehensive (loss)/income	(5,743)	14,837
Foreign exchange translation	(38,027)	45,826
	4,241,413	5,656,599

13.1.1 During the year the group acquired an additional 2.93% interest in Al Raya Global Real Estate Company-KSCC, increasing its ownership interests in the associate to 25.32% for a total cash consideration of KD154,363. A gain of KD182,023 has been recognised as a result of this additional acquisition. Furthermore, Al Raya Global Real Estate Company-KSCC reduced its share capital by 44.3% during the year. The group's share in this reduction amounted to KD 1,076,100 (KD 231,415 in 2016).

13.1.2 During the year, the group acquired an additional 1.162% interest in Oman German Company for Building Materials – LLC for a total cash consideration of KD173,716. As a result of this acquisition, ownership interest of the group increased to 33.662%.

13. Investment in associates (continued)

13.2 Summarised financial information of group's material associates are set out below:

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

	31 Dec. 2017 KD	31 Dec.2016 KD
Non-current assets	4,336,150	8,409,311
Current assets	4,842,167	4,739,238
Total assets	9,178,317	13,148,549
Non-current liabilities	81,714	134,307
Current liabilities	1,777,306	1,494,228
Total liabilities	1,859,020	1,628,535
Net assets	7,319,297	11,520,014

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec.2016 KD
Revenue	307,904	(846,852)
Profit/(loss) for the year	71,964	(1,088,649)
Other comprehensive (loss)/income for the year	(22,682)	41,607
Total comprehensive income/(loss) for the year	49,282	(1,047,042)

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

	Year ended 31 Dec. 2017	Year ended 31 Dec.2016
Group's ownership interest	25.32%	22.39%
Net assets of the associate (KD)	7,319,297	11,520,014
Group's share of net assets (KD)	1,853,246	2,579,331
Carrying amount (KD)	1,853,246	2,579,331

The group has accounted for its share of results of this associate using management accounts as of December 31, 2017.

13. Investment in associates (continued)
13.2 Summarised financial information of group's material associates (continued)

b) Insulated Building Systems Factory– WLL:

	31 Dec. 2017 KD	31 Dec.2016 KD
Non-current assets	1,749,704	1,863,113
Current assets	2,136,525	1,649,683
Total assets	3,886,229	3,512,796
Non-current liabilities	39,432	26,238
Current liabilities	564,203	287,053
Total liabilities	603,635	313,291
Net assets	3,282,594	3,199,505

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec.2016 KD
Revenue	1,645,865	1,768,689
Profit for the year	134,870	203,069
Other comprehensive income for the year	-	-
Total comprehensive income for the year	134,870	203,069

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

	Year ended 31 Dec. 2017	Year ended 31 Dec.2016
Group's ownership interest	50%	50%
Net assets of the associate (KD)	3,282,594	3,199,505
Group's share of net assets (KD)	1,641,297	1,599,753
Carrying amount (KD)	1,641,297	1,599,753

The group has accounted for its share of results of this associate using management accounts as of 31 December 2017.

Notes to the Consolidated Financial Statements *(continued)*

13. Investment in associates (continued)
13.2 Summarised financial information of group's material associates (continued)

c) United Gulf Pipes Factory – LLC:

	31 Dec. 2017 KD	31 Dec.2016 KD
Non-current assets	5,437,246	5,885,604
Current assets	3,485,207	5,987,320
Total assets	8,922,453	11,872,924
Non-current liabilities	1,168,503	4,012,254
Current liabilities	6,957,024	5,580,823
Total liabilities	8,125,527	9,593,077
Net assets	796,926	2,279,847

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec.2016 KD
Revenue	3,607,672	8,751,694
(Loss)/profit for the year	(1,429,768)	679,769
Other comprehensive loss for the year	-	-
Total comprehensive (loss)/income for the year	(1,429,768)	679,769

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

	Year ended 31 Dec. 2017	Year ended 31 Dec.2016
Group's ownership interest	45%	45%
Net assets of the associate (KD)	796,926	2,279,847
Group's share of net assets (KD)	358,617	1,025,931
Embedded Goodwill	317,439	317,439
Carrying amount (KD)	676,056	1,343,370

The group has accounted for its share of results of this associate using management accounts as of 31 December 2017.

13.3 Set out below is the aggregate information for the individually immaterial associates, based on the unaudited financial statements as at December 31, 2016 and 2017.

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec.2016 KD
Group's share of profits or losses	(236,618)	(187,278)
Group's share of other comprehensive income	-	2,702
Group's share of total comprehensive loss	(236,618)	(184,576)
Aggregate carrying amount of group's interest in these associates	70,814	134,145

14. AVAILABLE FOR SALE INVESTMENTS

	31 Dec. 2017 KD	31 Dec. 2016 KD
Local quoted securities	3,817,796	3,698,440
Local unquoted securities	11,782,249	12,185,982
Foreign quoted securities	1,926,844	1,656,190
Foreign unquoted securities	13,023,318	13,879,688
Murabaha investment	4,973,531	4,985,295
	35,523,738	36,405,595

During the previous year, the group recognised an impairment loss of KD1,530,259 against certain investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

Available for sale investments include investments of KD 630,339 (KD 630,339 in 2016) recognized at cost due to non-availability of quoted market prices or reliable measurement of their fair value. The group's management has performed an analysis of these investments which indicates that there is no impairment in their value.

Murabaha investment is an investment in a local Islamic financial institution and carries effective profit rate of 2% (2016: 2%) above CBK rate and is carried at 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.

15. INVENTORIES AND SPARE PARTS

	31 Dec. 2017 KD	31 Dec. 2016 KD
Raw materials	9,258,418	8,770,828
Finished goods and work-in-progress	6,859,579	6,975,608
Spare parts	3,652,835	3,601,338
Goods in transit	1,834,875	1,134,012
	21,605,707	20,481,786
Provision for obsolete and slow moving items (15.1)	(823,926)	(870,394)
	20,781,781	19,611,392

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	(870,394)	(767,871)
Charged during the year	-	(127,605)
Reversal of provision no longer required during the year	46,468	25,082
Closing Balance	(823,926)	(870,394)

16. INVESTMENTS AT FAIR V ALUE THROUGH PROFIT OR LOSS

	31 Dec. 2017 KD	31 Dec. 2016 KD
Designated on initial recognition:		
Managed funds and portfolios	1,734,589	1,534,397
Quoted equity securities	432,259	351,570
	2,166,848	1,885,967

17. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	31 Dec. 2017 KD	31 Dec. 2016 KD
Trade receivables	10,915,257	12,707,472
Provision for doubtful debts (17.3)	(983,404)	(1,449,423)
	9,931,853	11,258,049
Due from ultimate parent company	546,322	1,508,179
Due from associates	446,384	574,403
Due from other related companies	9,023	9,023
Staff receivables	237,368	229,361
Prepayments	634,528	430,751
Advances to contractors	99,070	98,668
Retentions	783,153	754,760
Accrued income and other assets	292,548	862,641
	12,980,249	15,725,835

17.1 The carrying values of the financial assets included above approximate their fair values and are due within one year.

17.2 Trade receivables are non-interest bearing and generally mature within 30 – 90 days.

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Neither past due nor impaired	6,680,799	7,572,883
Past due but not impaired		
- 3 to 6 months	3,251,054	3,685,166
Impaired		
- over 6 months	983,404	1,449,423
Total trade receivables	10,915,257	12,707,472

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2017, trade receivables of KD3,251,054 (2016: KD3,685,166) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

17. Accounts receivable and other assets (continued)

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	(1,449,423)	(1,022,923)
Charged during the year	-	(426,500)
Reversal of provision no longer required during the year	466,019	-
Closing Balance	(983,404)	(1,449,423)

18. FIXED DEPOSITS

Fixed deposits carry an average interest rate that varies from 1.6% to 1.9% (2016: 1.6% o 1.9%) per annum and mature within one year from the date of the consolidated statement of financial position.

19. SHARE CAPITAL AND SHARE PREMIUM

	31 Dec. 2017 KD	31 Dec. 2016 KD
Shares of KD0.100 each		
- Authorised	36,020,187	35,320,187
- Issued and fully paid	35,021,251	34,924,657

During the year, the parent company issued 965,944 shares (2016: 1,311,114 shares) under the staff share-based payments scheme (note 27) at price ranging from KD0.200 to KD0.335 per share. The amount in excess of nominal amount of KD0.100 was credited to the share premium account.

20. TREASURY SHARES

	31 Dec. 2017	31 Dec. 2016
Number of shares	1,221,598	284,930
Percentage of issued shares	0.349%	0.08%
Cost of treasury shares (KD)	249,009	57,110
Market value (KD)	238,212	59,835

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

21. 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.

22. OTHER COMPONENTS OF EQUITY

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2017	9,230,581	258,191	9,488,772
Exchange differences on translation of foreign operations	-	(88,192)	(88,192)
Share of other comprehensive loss of associates	-	(5,743)	(5,743)
Available for sale investments:			
- Net change in fair value arising during the year	(367,323)	-	(367,323)
- Transferred to consolidated statement of profit or loss on sale	478,509	-	478,509
Total other comprehensive income/(loss) for the year	111,186	(93,935)	17,251
Balance at 31 December 2017	9,341,767	164,256	9,506,023

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2016	7,902,268	174,954	8,077,222
Exchange differences on translation of foreign operations	-	80,766	80,766
Share of other comprehensive income of associates	12,366	2,471	14,837
Available for sale investments:			
- Net change in fair value arising during the year	(150,649)	-	(150,649)
- Transferred to consolidated statement of profit or loss on impairment	1,530,259	-	1,530,259
- Transferred to consolidated statement of profit or loss on sale	(63,663)	-	(63,663)
Total other comprehensive income for the year	1,328,313	83,237	1,411,550
Balance at 31 December 2016	9,230,581	258,191	9,488,772

23. PROVISION FOR LAND-FILLING EXPENSES

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	767,015	741,570
Charged during the year	48,985	25,445
Reversal of provision no longer required during the year	(416,000)	-
Closing Balance	400,000	767,015

24. MURABAHA PAYABLE

These represent Murabaha facilities obtained from local financial institutions which carried an average effective profit rate of 4.00% (2016: 4.00%) per annum. During the year, all accrued and outstanding Murabaha balances of the group have been paid.

25. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 Dec. 2017 KD	31 Dec. 2016 KD
Trade payables	9,431,295	9,301,721
Due to other related companies (non-controlling interest)	441,061	446,994
Due to an associate	397,469	-
Staff payables	131,852	150,492
Provision for staff leave	908,048	890,961
Accrued expenses	1,837,905	1,425,410
Due to customers for contract works	244,992	460,855
Other liabilities	3,941,089	3,109,873
	17,333,711	15,786,306

26. OPERATING SEGMENTS

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

	Building materials and contracting services		Investments		Total	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Segment revenue	45,141,856	40,997,520	817,353	869,709	45,959,209	41,867,229
Share of results of associates	-	-	(805,417)	348,667	(805,417)	348,667
Bargain purchase on acquisition of additional shares of an associate	-	-	182,023	163,053	182,023	163,053
					45,335,815	42,378,949
Segment results	3,046,016	786,517	193,959	(148,830)	3,239,975	637,687
Unallocated expenses					(268,660)	(58,809)
Profit for the year, per consolidated statement of profit or loss					2,971,315	578,878
Depreciation	3,129,444	3,661,524	-	-	3,129,444	3,661,524
Impairment of available for sale investments	-	-	-	(1,530,259)	-	(1,530,259)
Total Assets	69,615,252	61,261,576	44,123,308	51,651,226	113,738,560	112,912,802

27. PROPOSED DIVIDENDS AND GENERAL ASSEMBLY OF THE SHAREHOLDERS

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of the parent company proposed, for the year ended 31 December 2017, a cash dividends of 8% of the paid up share capital equivalent to 8 Fils per share to be distributed to the registered shareholders as at the date of the general assembly.

The annual general assembly of the shareholders held on 21 May 2017, approved the consolidated financial statements for the year ended 31 December 2016 as it also approved a cash dividend of 10 Fils (2015: 20 Fils) per share amounting to KD3,499,212 (2015: KD6,970,189) for the year ended 31 December 2016. In addition, the annual general assembly of shareholders approved the director's remuneration of KD150,000 for the year ended 31 December 2016 which was recorded as part of the expenses in the current year's consolidated statement of profit or loss.

The Annual General Assembly approved the increase of Parent Company's authorized capital by 7,000,000 shares through the Employee Rewards Program. This program will continue for a period of five years beginning in 2017, whereby a maximum of 7,000,000 shares will be awarded to the participants throughout that period. The options will be granted under the program if certain conditions are met, as specified in the program. On July 30, 2017, the amendments reflecting the increase in capital were documented in the Kuwaiti Commercial Register.

28. SHARE-BASED PAYMENT

Under the senior executive plan, share options of the parent company are granted to certain senior executives of the parent company.

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

The expense recognised for services provided by employees under the senior executive plan amounted to KD271,035 (2016: KD185,418) during the year. The carrying amount of the liability relating to the plan at 31 December 2017 was KD179,490 (2016: KD142,183) 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.A

	31 Dec 2017		31 Dec 2016	
	Share options Number	WAEP KD	Share options Number	WAEP KD
Opening balance	1,210,186	0.230	1,508,186	0.238
Granted during the year	1,091,969	0.218	1,013,114	0.230
Exercised during the year	(965,944)	0.226	(1,311,114)	0.224
Outstanding at 31 December	1,336,211	0.224	1,210,186	0.230
Exercisable at 31 December	823,522	0.218	755,578	0.234

29. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Amounts included in the consolidated financial position:		
Due from ultimate parent company (note 17)	546,322	1,508,179
Due from associates (note 17)	446,384	574,403
Due from other related companies (note 17)	9,023	9,023
Due to associate (note 25)	397,469	-
Due to other related companies (non-controlling interests) (note 25)	441,061	446,994
Murabaha investments	4,973,531	4,985,295

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Transactions included in the consolidated statement of profit or loss:		
Interest income	4,453	5,952
Compensation of key management personnel of the parent company		
Directors' remuneration	280,000	-
Short term benefits	233,094	243,904
End of service benefits	31,434	53,081
Cost of share-based payments	271,035	185,418
	815,563	482,403

30. COMMITMENTS AND CONTINGENT LIABILITIES

	31 Dec. 2017 KD	31 Dec. 2016 KD
Issued letters of guarantee	6,391,258	2,454,159
Letters of guarantee from ultimate parent company	200,000	200,000
	6,591,258	2,654,159

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

31.1 Market risk

a. Foreign currency risk

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

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
US Dollar	11,953,047	13,299,015
UAE Dirhams	1,438,194	973,063
Jordanian Dinar	252,109	238,472
Saudi Riyal	6,357,214	6,363,342
Bahraini Dinar	1,911,254	1,766,170
Omani Riyal	1,633,153	2,487,367
Pound Sterling	548,940	595,832

The foreign currency sensitivity is determined assuming 5% (2016: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

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. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
US Dollar	±31,723	±31,986	±565,929	±659,631
Other currencies	±310,562	±280,450	±894,517	±299,573

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.

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

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 with respect to fixed deposits, Murabaha investment and Murabaha payables.

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%) (2016: +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. 2017		31 Dec. 2016	
	+ 1 %	-1 %	+ 1 %	-1 %
	KD	KD	KD	KD
Profit for the year	71,648	(71,648)	59,573	(59,573)

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 and available-for-sale investments.

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. 2017	31 Dec. 2016
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.

	Profit for the year		Equity	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets at fair value through profit or loss	108,342	94,298	-	-
Available-for-sale investments	-	-	383,574	350,541
Total	108,342	94,298	383,574	350,541

31. Risk management objectives and policies (continued)

31.2 Credit risk

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Bank balances	7,253,634	4,026,354
Fixed deposits	2,191,309	1,502,500
Accounts receivable and other assets (note 17)	12,980,249	15,725,835
Murabaha investment	4,973,532	4,985,295
Available for sale investments	30,550,206	31,420,300
Investments at fair value through profit or loss	2,166,848	1,885,967
	60,115,778	59,546,251

Bank balances, fixed deposit and Murabaha investment are maintained with high credit quality financial institutions. Accounts receivable and other assets are neither past due nor impaired.

The company's largest customer accounted for 9% (2016: 15%) of the total trade receivables.

31.3 Liquidity risk

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

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

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
As at 31 December 2017					
Accounts payable and other liabilities	3,514,500	4,828,740	8,990,471	-	17,333,711
	3,514,500	4,828,740	8,990,471	-	17,333,711
As at 31 December 2016					
Murabaha payables	-	298,713	231,737	-	530,450
Accounts payable and other liabilities	3,200,414	4,397,674	8,188,218	-	15,786,306
	3,200,414	4,696,387	8,419,955	-	16,316,756

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

32. FAIR VALUE MEASUREMENT

32.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 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).

32.2 Fair value measurement of financial instruments

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	7,357,724	4,117,983
Fixed deposits	2,191,309	1,502,500
Accounts receivable and other assets (note 17)	12,980,249	15,725,835
Investments at fair value through profit or loss:		
Investments at fair value through profit or loss	2,166,848	1,885,967
Available for sale investments:		
Available for sale investments - at fair value	29,919,868	30,789,961
Available for sale investments - at cost	630,339	630,339
Murabaha investment	4,973,531	4,985,295
	60,219,868	59,637,880
Financial liabilities:		
Financial liabilities at amortised cost:		
Accounts payable and other liabilities	17,333,711	15,786,306
Murabaha payables	-	530,450
	17,333,711	16,316,756

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

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

Notes to the Consolidated Financial Statements *(continued)*

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

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

31 December 2017		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Financial assets at fair value through profit or loss					
Quoted securities	a	432,259	-	-	432,259
Managed funds and portfolios	b	-	1,734,589	-	1,734,589
Available for sale investments					
Local quoted securities	b	3,817,796	-	-	3,817,796
Local unquoted securities	c	-	-	11,782,249	11,782,249
Foreign quoted securities	b	1,926,844	-	-	1,926,844
Foreign unquoted securities	c	-	8,797,672	3,595,307	12,392,979
		6,176,899	10,532,261	15,377,556	32,086,716

31 December 2016		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Financial assets designated at fair value through profit or loss					
Quoted securities	a	351,570	-	-	351,570
Managed funds and portfolios	b	-	1,534,397	-	1,534,397
Available for sale investments					
Local quoted securities	a	3,698,440	-	-	3,698,440
Local unquoted securities	c	-	-	12,185,982	12,185,982
Foreign quoted securities	a	1,656,190	-	-	1,656,190
Foreign unquoted securities	c	-	9,096,880	4,152,469	13,249,349
		5,706,200	10,631,277	16,338,451	32,675,928

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

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

Measurement at fair value

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

a) Quoted securities

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

b) Managed funds and portfolios

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

c) Unquoted securities

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

d) Financial liabilities

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

Level 3 fair value measurements

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

	Available for sale investments	
	Unquoted securities 31 Dec. 2017 KD	Unquoted securities 31 Dec. 2016 KD
Opening balance	16,338,451	20,902,404
Transfer from level 1	-	6,113,158
Transfer to level 2	-	(10,463,893)
Gains or losses recognised in:		
Consolidated statement of profit or loss	-	(9,913)
Other comprehensive income	(458,125)	82,945
Sales	(502,770)	(286,250)
Closing balance	15,377,556	16,338,451

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 maximising the use of market-based information.

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

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Available for sale investments 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 and market multiples 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%.

33. CAPITAL MANAGEMENT OBJECTIVES

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

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

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Profit for the year attributable to the owners of the parent company	3,223,553	773,927
Total equity attributable to the owners of the parent company	84,996,627	85,191,489
Return on equity	3.79%	0.91%