NI Group
National Industries Group
(Holding)

National Industries Group Holding K.P.S.C.

(a Kuwaiti public shareholding company incorporated in the State of Kuwait)

Public Offering Prospectus for the Capital Increase of

National Industries Group Holding K.P.S.C.

Public Offering of 524,733,305 Ordinary Shares to Existing Shareholders at an Offer Price of 200 fils (two hundred Kuwaiti fils) Per Share with a nominal value of 100 fils (one hundred Kuwaiti fils) and a share issuance premium of 100 fils (one hundred Kuwaiti fils)

Subscription Period

From 3 April 2022 to 21 April 2022

Lead Manager and Subscription Agent

المــــركــز
MARKAZ

Kuwait Financial Centre K.P.S.C. ("Markaz")

National Industries Group Holding K.P.S.C. (later referred to as the "**Issuer**", the "**Group**", the "**Company**" or "**NIGH**") is a Kuwaiti Public Shareholding Company established by Amiri Decree No. 8/1960 on 10 August 1960 and registered with the Commercial Register under No. 8392 on 23 April 2003, and listed on Boursa Kuwait (later referred to as "**Boursa Kuwait**") since 29 September 1984 with an authorized capital of KD 300,000,000 and its source and paid-up capital is 149,923,801.400 Kuwaiti Dinars.

This Prospectus contains information on the 524,733,305 ordinary shares to be issued by the Issuer at an offer price of 200 fils (two hundred Kuwaiti fils) per share (representing the nominal value of 100 fils plus a share issuance premium of 100 fils) (hereafter referred to as "**Shares**", "**Issue Shares**" or "**Offering Shares**") with a total nominal value of KD 52,473,330.5 (fifty two million, four hundred and seventy-three thousand, three hundred and thirty thousand Kuwaiti Dinars and five-hundred Kuwaiti fils) and a total value after adding the share issuance premium of KD 104,946,661 (one hundred and four million, nine hundred and forty-six thousand and six hundred and sixty one Kuwait Dinars).

Registered shareholders (also referred to as "**Qualified Shareholders**" or "**Subscribers**", as required by the context of the text) shall be listed in KCC's shareholders› register (later referred to as the "**Clearing and Deposit Agent**") on the record day specified at 28 March 2022 (later referred to as the "Record Date"), the preemption right to subscribe to the shares of the offering at the rate of their respective shares (later referred to as the "**Preemption Right**").

The issuance of new shares was approved by the decision of the Board of Directors of the Issuer issued on 30 January 2022 on the basis of the extraordinary general assembly decision to issue new shares dated 20 December 2021, which authorized the Board of Directors to increase the issued capital within the authorized limits and was published in the Official Gazette, issue number 1567 dated 2 January 2022 and annotated by the Commercial Register of the Issuer at the Ministry of Commerce and Industry on 11 January 2022. The Issuer also obtained the approval of the Kuwaiti Capital Markets Authority to increase capital and issue shares on the date of 24 February 2022 and on this Prospectus dated 10 March 2022.

The subscription period begins from and includes 3 April 2022 (the "**Subscription Period**") and ends at the end of 21 April 2022 (which is included in the Subscription Period). If the entire subscription of all the issue shares is covered before that date, the Issuer is then entitled to suspend and close the Subscription Period before the expiration date. In the case the Offering is not fully subscribed for during the original Subscription Period, the Board of Directors has the right to extend the Offering Period at its sole discretion for a period or other similar or lesser periods as long as the total extension period does not exceed three (3) months and subject to obtaining the approval of the Capital Markets Authority on such extension.

For the purposes of this Prospectus, the term "**Business Day**" means the day on which Boursa Kuwait carries out normal trading business, and for the purposes of the subscription process, it must also be the day on which banks are open to conduct their public business in the State of Kuwait (except for Fridays and Saturdays), and with the exception of public holidays.

This Prospectus is not considered an offer to sell or solicit any offer to buy securities in any legal system in which offering, or selling is not permitted. In addition, investors' subscription to any of the securities referred to in this document must be based on the information contained in this Prospectus exclusively.

NOTICE TO INVESTORS

YOU ARE HEREBY ADVISED TO SEEK THE ADVICE OF AN ADVISOR LICENSED IN ACCORDANCE WITH THE LAW WHO SPECIALIZES IN ADVISING ON THE CONTENT OF THIS PROSPECTUS PRIOR TO MAKING A DECISION TO SUBSCRIBE.

This Prospectus has been approved by the Kuwait Capital Markets Authority on 10 March 2022 and this Prospectus was prepared in accordance with the Kuwait Capital Markets Law no. 7 of 2010 regarding the establishment of the Capital Markets Authority and the executive bylaws thereto (each as amended). The members of the Board of Directors, whose names appear in the management section of this Prospectus, collectively and individually accept full responsibility for the accuracy of all information contained in this Prospectus relating to the Issuer and the issue shares, and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The Lead Manager and Subscription Agent accept full responsibility for the inaccuracy of any information and data contained in this Prospectus and confirm that, having made all reasonable enquiries to the best of their knowledge and belief, there are no other material facts and information omitted, and that the Prospectus has been drafted in accordance with information and data that correspond to reality. The Issuer acknowledges that the necessary requirements and procedures have been met and all the required documents have been submitted in this Prospectus and in accordance with the laws and executive regulations of the Capital Markets Authority.
The Issuer's legal counsel confirms that it has reviewed the Prospectus and any related documents thereto as provided to them by the Issuer, and that to the best of their knowledge and after having made all reasonable inquiries, the Prospectus complies with the relevant legal requirements and that the Issuer has obtained the required approvals necessary in order for its obligations to be valid and enforceable.

The Kuwait Capital Markets Authority assumes no liability for the contents of this Prospectus, does not make any representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 10 March 2022

Lead Manager and Subscription Agent

المـــركـــز
MARKAZ

ENGLISH TRANSLATION OF THE OFFICIAL ARABIC LANGUAGE PROSPECTUS

RESPONSIBILITY STATEMENT

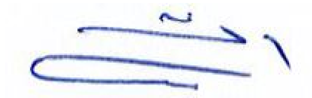
Individuals responsible for the prospectus

This Prospectus has been prepared by:

Name:	**Title:**	**Address:**
Ahmed Mohammed Hassan	Chief Executive Officer	National Industries Group Holding K.P.S.C.

EACH OF THE DIRECTORS OF THE ISSUER, WHOSE NAMES APPEAR HEREIN, ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE AND CONDUCTED A FULL AND DETAILED DUE DILIGENCE TO ENSURE THAT SUCH IS THE CASE, (I) THE INFORMATION CONTAINED IN THIS PROSPECTUS IS COMPLETE, ACCURATE AND CORRECT, (II) ALL INFORMATION RELATING TO THE SECURITIES AND TO THE ISSUER HAVE BEEN DISCLOSED TO THE INVESTORS, SO THAT THE INVESTORS COULD TAKE A DECISION AS TO WHETHER OR NOT TO SUBSCRIBE TO THE ISSUE SHARES, AND (III) THAT ALL THE RELEVANT PROVISIONS RELATING TO THE SECURITIES AS PROVIDED IN LAW NO. 7 OF 2010 REGARDING THE ESTABLISHMENT OF THE CAPITAL MARKETS AUTHORITY AND REGULATING SECURITIES ACTIVITIES AND ITS EXECUTIVE BYLAWS (AS AMENDED), AND MODULE ELEVEN OF THE EXECUTIVE BYLAWS OF THE IN LAW NO. 7 OF 2010 REGARDING THE ESTABLISHMENT OF THE CAPITAL MARKETS AUTHORITY AND REGULATING SECURITIES ACTIVITIES (AS AMENDED), AND THE COMPANIES LAW NO. 1 OF 2016 AND ITS EXECUTIVE BYLAWS AND THE INSTRUCTIONS ISSUED BY THE CAPITAL MARKETS AUTHORITY FROM TIME TO TIME, HAVE BEEN COMPLIED WITH.

On behalf of the Board of Directors of the Issuer

Name:	**Title:**	**Signature:**
Saad Mohammed Al-Saad	Chairman	

CONFIRMATIONS AND NOTICES OF THE ISSUER

This Prospectus contains information relating to National Industries Group Holding K.P.S.C., the Offering terms and conditions and the Issue Shares. The Issuer has not authorized the making or provision of any representation or information regarding the Issuer, the Offering, or the Issue Shares other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information emanating from third parties should not be relied upon as having been authorized by the Issuer, the Lead Manager or the Subscription Agent named on the cover hereof.

While the Issuer has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, certain portions of the market and industry information herein are derived from external sources, and while neither the Issuer, the Lead Manager, the Subscription Agent, nor any of their respective advisors have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Issuer and the value of the shares in the Issuer may be adversely affected by future developments in inflation, financing charges, taxation, or other economic, political, and other factors, over which the Issuer has no control. Neither the delivery of this Prospectus nor any oral, written, or printed interaction in relation to the Issue Shares is intended to be or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results, or events.

In any event, the information contained in this Prospectus related to the Issuer or issue of shares shall not be considered correct at any time after the date of this Prospectus. The Lead Manager and Subscription Agent shall not be obliged to review the financial position or the status of the Issuer or to advise any investor about the shares or regarding any information that comes to their knowledge regarding the aforementioned or the absence of a change in the financial position or the status of any party whose name is mentioned in this Prospectus after its date.

This Prospectus is not to be regarded as a recommendation on the part of the Issuer, the Lead Manager, and the Subscription Agent or any of their advisers or affiliates to participate in the Offering. The information provided herein is of a general nature and has been prepared without taking into account any potential investors' investment objectives, financial situation or particular investment needs. Neither this Prospectus nor any other information contained therein in connection with the issue of shares is intended to provide a basis for granting credit facilities or undertaking any other financing operations. Each recipient of this Prospectus (before taking any investment decision) is responsible for obtaining his own independent professional advice from a person licensed by Kuwait Capital Markets Authority ("**CMA**") in relation to the Issuer, the Offering terms and conditions or the Issue Shares and for making his/her own independent evaluation of the Issuer, an investment in the Issue Shares and of the information and assumptions contained herein, using such advice, analysis, and projections as he/she deems necessary in making any investment decision. Prospective investors are not to construe the contents of this document as constituting tax, investment, or legal advice.

Prior to subscribing for any Issue Shares, a prospective investor should consult a financial advisor who has been duly licensed by CMA and with his, her or its own legal, business and tax advisors to determine the appropriateness and consequences of an investment in the Issue Shares for such investor and arrive at an independent evaluation of such investment. The sole purpose of this Prospectus is to provide background information about the Issuer to assist each recipient in making an independent evaluation of the offering and any investment in the Issue Shares.

Neither this Prospectus nor any other information provided in connection with the issuance of shares constitutes an offer or invitation by or on behalf of the Issuer, the Lead Manager, or the Subscription Agent for any person to subscribe in the shares.

The distribution of this Prospectus and the offering of the Issue Shares in certain jurisdictions is restricted by some laws outside the State of Kuwait. Persons into whose possession this Prospectus may come are required by the Issuer and the Advisor to inform themselves about and to observe such restrictions.

The Issue Shares may not be an appropriate investment for all shareholders and investors. Therefore, each potential investor in the Issue Shares must determine the appropriateness of such an investment, in light of his/her own circumstances. In particular, each potential investor should do the following:

1. have sufficient knowledge and experience to carry out a meaningful evaluation of the Issue Shares, the risks of investing in the Issue Shares, and the information contained in this Prospectus.
2. be able to access and be familiar with the appropriate analytical tools, in order to evaluate any investment in stocks in the context of his own financial position, as well as assess the impact of the shares on his investment portfolio in general.
3. have sufficient financial resources and liquidity to bear all the risks of investing in the Issue Shares.
4. have a full understanding of the terms of the Issue Shares, and to be familiar with the conduct of business in the relevant financial markets.
5. be able (whether alone or with the assistance of an investment advisor) to assess the possible scenarios of economic and other factors that could affect the investor’s investment and their ability to bear potential risks.

None of the contents of this Prospectus or any information communicated by the Issuer is intended or construed as advice regarding the purchase or subscription of shares (or earnings per share). If you are in any doubt about the contents of this Prospectus, you should consult a licensed investment advisor. It must be remembered that the value of the shares can fluctuate down or up.

No other party has been authorized to give any information or make any representations in connection with the offering of shares other than the parties mentioned in this Prospectus, and in the event that such information or undertakings are provided, it shall not be relied upon and considered as approved by the Lead Manager, the Subscription Agent or the Issuer. No distribution of this Prospectus or offer of shares or any sale or presentation of shares made under it may in any way create the implicit impression that there has been no change, or any event that is reasonably likely to include any change in the conditions of the Issuer since the date of this Prospectus.

The financial information for the fiscal year ending on 31 December 2020 has been audited by the auditors of the Issuer and approved by the general assembly of the shareholders of the Issuer as required by the applicable regulations. Otherwise, the financial information contained in this Prospectus for any period ending after 31 December 2020 is not subject to audit. The financial information for the financial period ending on 30 September 2021 was also reviewed by the auditor of the Issuer, and approved by the Board of Directors of the Issuer on 1 November 2021. Otherwise, the financial information contained in this Prospectus for any period ending after 30 September 2021 was not subject to for review or audit.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. In this Prospectus all references to “KWD”, “KD”, “Kuwaiti Dinars” and “Dinars” are to Kuwaiti Dinars, the lawful currency of Kuwait.

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer’s plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this document, the words “anticipate”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any of their derived expressions or any similar expressions generally identify forward looking statements. The Issuer has based these forward-looking statements on the current view of the Issuer’s management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in the Issuer’s forward-looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialize, including those which the Issuer has identified in this Prospectus and those which the Issuer could not reasonably identify, or if any of the Issuer’s underlying assumptions prove to be incomplete or inaccurate, the Issuer’s actual results of operation may vary from those expected, estimated or predicted without any liability on the Issuer. These forward-looking statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any binding obligation or undertaking to achieve or fulfil any of the objectives or results contained in any of the expectations, estimations or predictions and to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations, estimations or predictions thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

ABBREVIATIONS

CMA	Kuwait Capital Markets Authority
Dinars, Kuwaiti Dinars, KWD and KD	Kuwaiti Dinar
Fils	Kuwaiti fils
GCC	Gulf Cooperation Council
KCC	Kuwait Clearing Company K.S.C.
MENA	Middle East and North Africa
Mn, mn	Million
MOCI	Ministry of Commerce and Industry - Kuwait
USD, US$, $ and Dollars	United States Dollars

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SUMMARY TERMS OF THE OFFERING

The following summary should be read as an introduction to the additional detailed information that appears in any part of this Prospectus to which this summary is subject. This summary does not include all the information that shareholders and potential investors must consider before deciding to subscribe to Shares as it does not purport to be complete. Accordingly, any decision by a prospective investor should be based on the full study of this Prospectus and not just part of it.

The terms included in this Prospectus bear the meanings set forth in the "Summary Terms of the Offering" section.

Issuer	National Industries Group Holding K.P.S.C.
Issuer's Address	The registered address of the Issuer is Shuwaikh – Jahra Road Interchange, beside the Kuwait Red Crescent Society, P.O. Box 417 Safat, 13005, State of Kuwait
Date of Establishment	10 August 1960
Listing date on Boursa Kuwait	29 September 1984
Authorized Capital	KD 300,000,000 (Three hundred million Kuwaiti Dinars)
Issued and Paid-up Capital before Capital Increase	KD 149,923,801.4 (one hundred and forty-nine million, nine hundred and twenty-three thousand, eight hundred and one Kuwaiti Dinars and four hundred Kuwaiti fils) are fully paid
Nominal Value of Capital Increase	KD 52,473,330.5 (fifty-two million, four hundred and seventy-three thousand and three hundred and thirty Kuwaiti Dinars and five hundred Kuwaiti fils)
Issuance Premium Value	KD 52,473,330.5 (fifty-two million, four hundred and seventy-three thousand and three hundred and thirty Kuwaiti Dinars and five hundred Kuwaiti fils)
Total Value of Issue Shares (Nominal Value and Issuance Premium)	KD 104,946,661 (one hundred and four million, nine hundred and forty-six thousand, six hundred and sixty-one Kuwaiti Dinars).
Issued and Paid-up Capital after Capital Increase	KD 202,397,131.9 (two hundred and two million, three hundred and ninety-seven thousand and one hundred and thirty one Kuwaiti Dinars and nine hundred Kuwaiti fils).
Type and Number of Offered Shares	524,733,305 ordinary shares with a nominal value of KD 52,473,330.5 (fifty two million, four hundred, seventy-three thousand, three hundred and thirty Kuwaiti Dinars and five hundred Kuwaiti fils) 35% of the Issuer's issued and paid-up capital prior to the increase, with a total value after the addition of the issuance premium of KD 104,946,661 (one hundred and four million, nine hundred and forty-six thousand, six hundred and sixty-one KD).
In-Kind Contributions	None.

Qualified Shareholders Who Hold Preemption Rights to Subscribe to the Offering Shares	The holders of the Preemption Rights and the shareholders whose names are registered on the Issuer's shareholders' register with the Kuwait Clearing Company K.S.C. at the close of trading on Boursa Kuwait on the record date, or those who obtained Preemption Rights, whether during the Preemption Rights trading period or by assignment.
Record Date	28 March 2022
Qualified Shareholders' Options for Offering Shares	Subscribers may resort to the following actions: • Exercise their Preemption Rights in the Issue Shares; • Exercise their Preemption Rights to subscribe to the Issue Shares and to subscribe to additional Issue Shares; • May trade the whole or part of their Preemption Rights, in accordance with the relevant rules applied by Boursa Kuwait; • May assign their Preemption Rights free of charge to another shareholder or any other person in accordance with the mechanism approved for this by Boursa Kuwait and the Kuwait Clearing Agency, at least five days before closing the Subscription Period (and any of these concessions are made in accordance with the relevant and applicable rules by Boursa Kuwait and the Kuwait Clearing Agency); or • May refrain from resorting to any of the previous actions.
Subscription Period	The Subscription Period (the "Subscription Period") will commence on the start of day 3 April 2022 (which is included in the Subscription Period) and will expire at the end of the day 21 April 2022 (which is included the Subscription Period), and if the entire subscription is covered before the final date of the Subscription Period, the Issuer has the right to stop and close the subscription before the end of the Subscription Period. In all cases where the subscription of all shares of the Issuer is not exhausted, the Board of Directors of the Issuer may extend the Subscription Period for a period or other periods of a similar or lesser time such that the original Subscription Period and its total extensions do not exceed three months provided that the approval of the Capital Markets Authority is obtained.
Disposal of Preemption Rights	The Preemption Rights may be disposed of by trading according to the trading price of the Preemption Rights on Boursa Kuwait, or they may be assigned free of charge and without restriction and in accordance with the applicable rules of both Boursa Kuwait and the Kuwait Clearing Company.

Timeline for Listing the Preemption Rights	The approval of this Prospectus constitutes an approval for the listing and trading of the Preemption Rights during the Subscription Period for the Offering Shares. The listing of the Preemption Rights starts from the date of the start of the Subscription Period for these rights. The listing is canceled as soon as the Issuer discloses the results of the subscription in the capital increase. For the inclusion and continuation of trading of the Preemption Rights, the Shares of the Issuer shall remain in circulation on Boursa Kuwait throughout the Subscription Period.
Offering Price	200 fils (Two hundred Kuwaiti fils) per share (representing the nominal value per share of 100 fils plus issuance premium of 100 fils).
Nominal Value of the Issue Share	100 Kuwaiti fils (One hundred Kuwaiti fils) per share.
Issuance Premium per Share	100 Kuwaiti fils (One hundred Kuwaiti fils) per share.
Reference Price for Trading of Preemption Rights	Boursa Kuwait schedules the reference price on the first trading day of Preemption Rights in accordance with the mechanism contained in the rules of Boursa Kuwait, which is according to the following equation: the closing price of the share the day before the start of trading of those rights - the subscription price (nominal value + issuance premium), and the price of Preemption Rights may change during the Subscription Period.
Preemption Rights to Subscribe in Shares	The Issuer and the regulatory authorities agreed to increase the Issuer's current issued and paid-up capital by KD 52,473,330.5, divided into 524,733,305 ordinary shares, with a value of 200 Kuwaiti fils per Share (including 100 fils nominal value plus 100 fils issuance premium), which shall be allocated to the shareholders registered in the Issuer's shareholder registry on the Record Date in proportion to their share ownership in the Issuer's capital, during the Subscription Period as set forth in this Prospectus and according to the applicable rules. The holders of the Preemption Rights may dispose of their Preemption Rights by trading according to the trading price of the Preemption Rights at Boursa Kuwait or by assigning these rights free of charge and without restriction, in the manner prescribed in the applicable rules in force at Boursa Kuwait and the Kuwait Clearing Company. In the event that a Qualified Shareholder does not subscribe, it is deemed that he has waived his Preemption Rights to subscribe to the Shares of the capital increase for the benefit of existing or new shareholders, pursuant to the Issuer's Board of Directors decision issued on 30 January 2022.

Subscription to Additional Issue Shares	Qualified Shareholders have the right to subscribe for additional Issue Shares ("Additional Issue Shares") in addition to their entitlement to Issue Shares. Such subscription shall be made at the Offering Price (i.e. KWD 0.200 per Additional Issue Share). In the event that the Subscriber does not subscribe, sell or waive the Preemption Rights to subscribe, it is considered a waiver of the Preemption Right in subscribing to the Issue Shares in favor of other Subscribers who wish to subscribe to a number of shares exceeding the percentage allocated to each of them. The holders of the Preemption Rights may sell these rights on Boursa Kuwait until 5 Business Days prior to the closing of the Offering Period and they are also entitled to assign it without any consideration at the Kuwait Clearing Company during the Offering Period to other shareholders of the Company or to others until 5 Business Days prior to the closing of the Offering Period in accordance with the rules and procedures in force at each of Boursa Kuwait and the Kuwait Clearing Company, according to what is set forth in this Prospectus. The remaining unsubscribed Offering Shares, if any, shall be allocated to the Qualified Shareholders who have applied for subscription with an additional number of Offering Shares exceeding the number allocated to them, in accordance with the applicable rules in this regard, secondly to other shareholders, and thirdly to new shareholders.
Minimum Subscription	1 (one) share.
Fractional Shares	It is not permissible to subscribe to fractional shares, and where necessary, the number of Offering Shares to which the Qualified Shareholder is entitled shall be rounded to the nearest whole number. The Issuer has the exclusive right to dispose of the fractional shares. The Issuer has the right to register the fractional shares as treasury shares in the shareholders' register, subject to the maximum authorized limit for the Company's ownership of its shares. Fractions of the Offering Shares will not be issued (refer to the section "Terms and Conditions and Instructions for Subscription").
Trading of Offering Shares on Boursa Kuwait	After the end of the Subscription Period and the final allocation of shares and the completion of all the necessary regulatory procedures for issuing shares and registering them with the regulatory authorities and the Kuwait Clearing Company, the Offering Shares will be traded on Boursa Kuwait without restriction and to be in the same rank as all the shares of the Issuer, without discrimination among them.

Allocation of Offering Shares	The Offering Shares are allocated between the Qualified Shareholders and those to whom the Preemption Rights have devolved, who have applied for a number of the Offering Shares in proportion to their respective contribution to the shares issued on the Record Date. The surplus of Subscribed Shares, in excess of the Preemption Rights- which may be due to the failure of some shareholders to exercise their Preemption Rights- will be allocated first to qualified shareholders who wish to subscribe to a number of shares that exceed the percentage allocated to each of them and in proportion to the shares they already own, secondly to other shareholders and thirdly to new shareholders, in accordance with the rules in force in this regard. The number of shares allotted will be rounded to the nearest whole number and the Issuer has the absolute right to dispose of the fractional shares, if any, without the possibility of issuing fractional shares.
Refund of Excess Subscription Amounts	The value of the subscription will be paid by the Subscribers during the Subscription Period and in any event before the closing date of the Subscription Period. If there is any surplus in the sums that the Subscribers transferred to the Subscription Account, any such surplus amounts will be refunded, without interest, within a period not exceeding five (5) business days from the date of the allocation of shares.
Purpose of the Issuance and the Use of Proceeds	The proceeds of the capital increase will be used to develop the Issuer's business to achieve growth in the Issuer's revenues and continue to implement its future plans and objective, in addition to covering the issuance expenses and some of the expenses incurred on the capital increase.
Subscription Fees	No subscription fees will be charged for the shares as the Issuer will bear all the costs of the issuance.
Issuance Costs	The total issuance costs, including marketing, legal consulting fees, Prospectus printing costs and other issuance-related costs and expenses, are expected to reach a maximum of KD 500,000 (Five hundred thousand Kuwaiti Dinars).
Summary of the Consolidated Financial Position on 30 September 2021	Assets: KD 1,270.8 million Paid-up capital: KD 149.9 million Liabilities: KD 727.0 million Shareholders' equity: KD 396.8 million
Summary of the Consolidated Financial Position on 31 December 2020	Assets: KD 1,187.3 million Paid-up capital: KD 142.8 million Liabilities: KD 724.1 million Shareholders' equity: KD 326.9 million

Summary of the Consolidated Financial Position on 31 December 2019	Assets: KD 1,244.5 million Paid-up capital: KD 142.8 million Liabilities: KD 735.9 million Shareholders' equity: KD 378.0 million
Summary of the Consolidated Financial Position on 31 December 2018	Assets: KD 1,202.7 million Paid-up capital: KD 136.0 million Liabilities: KD 706.4 million Shareholders' equity: KD 352.7 million

Previous Issuance Values

Issue Type (Bonus shares / capital increase)	Year	Date of annotation in the commercial register	No. of shares issued (shares)	Total nominal value of the issue (KD)	Net value of the issue (including nominal value and (issue premium (KD)
10% bonus shares	2005	20/6/2006	74,674,120	7,467,412	7,467,412
Capital increase 33.3%	2006	20/6/2006	248,913,736	24,891,374	149,348,242
10% bonus shares	2006	15/4/2007	107,032,907	10,703,290	10,703,290
10% bonus shares	2007	6/5/2014	117,736,196	11,773,620	11,773,620
5% bonus shares	2013	22/6/2014	64,754,908	6,475,491	6,475,491
5% bonus shares	2018	19/5/2019	67,992,653	6,799,265	6,799,265
bonus shares 5%	2020	23/5/2021	71,392,286	7,139,229	7,139,229

Date of the Extraordinary General Assembly Decision of the Shareholders and Board of Directors of the Issuer to Approve the Issuance	The issuance of shares was approved by the decision of the Board of Directors of the Issuer on 30 January 2022, pursuant to the extraordinary general assembly decision of the Issuer on 20 December 2021, which authorized the Board of Directors to increase the capital issued within the limits authorized and published in the official gazette in its issue no. 1567 of 2 January 2022, and annotated in the commercial register of the Issuer at the Ministry of Commerce and Industry on 11 January 2022.
Lead Manager and Subscription Agent	Kuwait Financial Centre K.P.S.C., Sharq, Block 1, Ahmad Al-Jaber Street, Universal Tower, Floor 3, P.O. Box 23444, Safat 13095, Kuwait.
Clearing Agency	Kuwait Clearing Company K.S.C. (Closed) - Kuwait P.O. Box 22077, Safat 13081, Kuwait
Legal Council	Al-Hossam Legal – Al-Turqi & Partners, Legal Consultants & Attorneys, KIPCO Tower, 42nd Floor, P.O. Box 1364, Safat 13014, Kuwait.
Applicable Law	Laws of the State of Kuwait.
Jurisdiction	Kuwaiti Courts.

Business Days	Any day when Boursa Kuwait operates normal trading, and for the purposes of the subscription process, it must also be a day when banks are open to the public for business in Kuwait (except Fridays and Saturdays) except on public holidays.
Board of Directors of the Issuer	Mr. Saad Mohammed Al-Saad — Chairman Mr. Suleiman Hamad Al-Dalali — Deputy Chairman Mr. Abdul Aziz Ibrahim Al-Rabia — Member Mr. Ali Murad Behbehani — Member Mr. Hossam Fawzi Al-Khorafi — Member Dr. Abdul Aziz Rashed Al-Rashed — Member Mr. Mohammed Abdul Mohsen Al-Asfour — Member Ms. Maha Khalid Al-Guanim — Member Mr. Salah Khaled Al-Fulaij — Member

INFORMATION RELATING TO THE OFFERING SHARES

Offering Shares

The issuing Company will offer 524,733,305 ordinary shares, representing 35% of the Company's issued and paid-up capital before the increase.

Offer Price per Offering Share and Issuance Size

The Offering will have a price of 200 fils (two hundred Kuwaiti fils) per Offering Share, which represents a nominal value of 100 fils (one hundred Kuwaiti fils) per Share and a share issuance premium of 100 fils (one hundred Kuwaiti fils) per Share. The total nominal value of the offering is KD 52,473,330.5 (fifty-two million, four hundred and seventy-three thousand, and three hundred and thirty Kuwaiti Dinars and five hundred Kuwaiti fils) and the total offering value after the addition of the shares issuance premium is KD 104,946,661 (one hundred and four million, nine hundred and forty-six thousand, and six hundred and sixty-one Kuwaiti dinars).

Fair Value per Share as per the Asset Valuator Report

The shares of the National Industries Group Holding K.P.S.C. were valued for the purpose of increasing the Company's share capital through the issuance of ordinary shares to be offered for public subscription in accordance with the provisions of Law No. (7) of 2010 and its executive regulations and amendments, whereby BDO Economic and Management Consulting ("BDO"), the "accredited asset valuator"), valued the Company's shares with a fair and independent valuation based on the latest financial statements. The valuation report was submitted to the CMA as part of the share capital increase application.

The valuation of the Company's shares was derived from the application of the sum of parts, using the following 3 valuation methods:

- Discounted cash flow method.
- Modified net asset value method.
- Relative valuation method (market multiples).

Accordingly, the Group's valuation as per the approved asset valuator report amounted to 424 fils.

Shares Market Data

The following is a summary of the Group's stock market data as at 23 January 2022:

National Industries Group Holding's Stock Data:	
Closing price (fils)	302
Market capitalization (in KD mn.)	444
52-week high/low market price (fils)	309/173
52-week average market price (fils)	231
Six-month average market price (fils)	259
Book value per share as at 30 September 2021 (fils)	270

Share Issuance Premium Calculation

The share premium was determined after the Board of Directors reviewed each of the following:

- The fair value of the share, according to the approved asset valuator report, is at 424 fils per share,
- The book value per share is at 270 fils per share,
- Calculating the six-month average of the Company's share market price at 259 fils per share,

Further, the earnings / loss per share during the financial year of 2020 were also reviewed in addition to the above.

Subsequently, equal weights were determined for each of the above, as follows:

Fair value of the NIGH's shares as at 23 January 2022	Share price (fils)	Weighting factor	Proposed fair value share price by the Board of Directors (fils)
BDO's valuation	424	33.4%	142
Book value per share as at 30 September 2021	270	33.3%	90
Six-month average market price	259	33.3%	86
Fair value			**318 fils**

Based on the foregoing and the latest consolidated interim financial statements issued by the company for the nine months 30 September 2021, in addition to the market data for the shares and the valuations presented earlier, the Company's Board of Directors determined the subscription price for the capital increase of the issued and paid-up capital shall be set at 200 fils per Share (consisting of a nominal value of 100 fils per Share and share issuance premium of 100 fils per Share). Accordingly, the total value of the capital increase of the issued and paid-up capital is KD 104,946,661, including a nominal value of KD 52,473,330.5, and an issue premium of KD 52,473,330.5.

The subscription price represents a discount of 53% from the fair value of the share as per the asset valuator, a discount of 37% from the fair value proposed by the Board of Directors, a discount of 34% from the last market price as on 23 January 2022, and a discount of 26% from the book value of the share as at 30 September 2021 – for the purpose of enhancing the Company's shareholders' participation in the subscription process and thus achieve the offering goal to meet the regulatory capital requirements and to finance the Company's future operations.

Preemption Rights

The Issuer and the regulatory authorities agreed to increase the Issuer's current issued and paid-up capital by KD 52,473,330.5 with a value of 200 Kuwaiti fils per Share (including 100 fils nominal value plus 100 fils issuance premium), which shall be allocated to the shareholders registered in the Issuer's shareholder registry on the Record Date ("Qualified Shareholders") in proportion to their share ownership in the Issuer's capital, and to the holders of the Preemption Rights to subscribe the to Issue Shares ("Preemption Rights") during the Subscription Period as set forth in this Prospectus or resolved upon by the Board of Directors of the Issuer according to the applicable rules.

In the event that a Qualified Shareholder does not subscribe, it is deemed that he has waived his Preemption Right to subscribe to the Shares of the capital increase for the benefit of existing or new shareholders. The Issuer's Board of Directors, in accordance with its decision issued on 30 January 2022, have approved the allocation of the subscription surplus to new shareholders, and to dispose of fractional shares (if any) in the manner it deems appropriate in accordance with the provisions of the law. The holders of the Preemption Rights may dispose the Preemption Rights by trading according to the trading price of the Preemption rights on Boursa Kuwait or by assigning these rights free of charge and without restriction, during the period from the beginning of the subscription until at least five business days before the closing of the Subscription Period, in the manner prescribed in the applicable rules in force at Boursa Kuwait and the Kuwait Clearing Company during the Subscription Period for the shareholders of the Issuer or others.

Convertibility of Issue Shares

The Issue Shares cannot be converted into another form of securities.

Tradability of the Issue Shares

After the end of the Subscription Period and the final allocation of Shares and after they have been registered with the Kuwait Clearing Company, the Issue Shares will be traded on Boursa Kuwait without restriction and will be in the same rank as the other shares of the Issuer and shall not be differentiated from the other shares.

Offering Not Fully Subscribed

In the case the Offering is not fully subscribed for during the original Subscription Period, the Board of Directors has the right and discretion to extend the Offering Period at its sole discretion for a period, or other similar or lesser periods, as long as the total extension period does not exceed three (3) months. If the entire Offering is not depleted during the subsequent extension periods, then the Issuer must either withdraw the capital increase or be satisfied with the amount that has been subscribed to and reduce the capital increase. In either case, the capital decrease must be registered at the commercial registrar based on the decision of the Board of Directors of the Issuer.

Voting Rights of the Issue Shares

Each share of the Offering has one vote, and every shareholder has the right to attend and vote in the General Assembly. None of the shareholders have premium voting rights or rights to dividends. Upon issuance of the Offering, the subscribed shareholder has the right to participate in the General Assembly meetings of the Issuer and to receive their share of dividends whenever it is announced by the Issuer. Shareholders are also entitled to a share of the proceeds from the liquidation of the Issuer's assets upon liquidation, after all Issuer's debts.

Qualified Shareholders Who Do Not Subscribe to the Issue Shares

Qualified Shareholders who do not subscribe to the Issue Shares ("Non-Participating Shareholders") shall be subject to a reduction in the proportion of their equity in the Issuer as well as a reduction in the value of their Existing Shares.

Methods of Disposal of the Issue Shares and the Preemption Rights

Qualified Subscribers may resort to the following actions:

- Qualified Subscribers may exercise their Preemption Right in whole or in part to the Issue Shares; or
- Qualified Subscribers may exercise their Preemption Right to subscribe to the Issue Shares and to subscribe to additional Issue Shares; or
- Qualified Subscribers or those whose Preemption Rights have devolved, may trade in additional Preemption Rights during the Subscription Period and until at least five working days before the Subscription Period is closed, in accordance with the relevant rules applied by Boursa Kuwait or through the market; or
- Qualified Subscribers or those whose Preemption Rights have devolved, may assign their Preemption Right without consideration (or their rights to subscribe in additional Issue Shares) or part of it according to the set process during the Subscription Period and until at least five working days before the Subscription Period is closed in accordance with the relevant rules applied by Boursa Kuwait; or
- Qualified Subscribers or those whose Preemption Rights have devolved, may refrain from resorting to any of the previous actions, whether through trading, assignment, or exercising the Preemption Right to subscribe to the Offering Shares and leaving the right to subscribe for the unsubscribed shares to the rest of the shareholders.

In all cases, the person who disposed of their Preemption Rights whether by trading in all or in part or by assignment without consideration in the manner previously mentioned is not entitled to subscribe to these rights, and their subscription in these disposed rights is considered null. However, the person to whom these rights have been disposed may subscribe to the number of Issue Shares as allocated for these rights and is also entitled to dispose of them in the manner prescribed in the applicable rules in force at the CMA, Boursa Kuwait and the Kuwait Clearing Company until at least five Business Days prior to the closing of the Subscription Period.

Maximum Subscription and Ownership

The remaining unsubscribed Offer Shares, if any, shall be allocated to Subscribers who have applied for subscription for an additional number of Offer Shares exceeding the number allotted to them. Such allocation shall firstly be offered to the Qualified Shareholders on the basis of the ratio of the number of the remaining additional shares to the number of additional shares that the Subscribers requested to subscribe for. Otherwise, the allocation shall secondly be offered to other shareholders in proportion to the shares they own in the capital of the Issuer and the number of remaining additional shares. Finally, the allocation shall then be offered to new shareholders in proportion to the number of shares they have subscribed to and the number of remaining shares. It is permissible to own any percentage of the shares of the Issuer at any time, in accordance with the law, ministerial decisions and the regulations of the Capital Markets Authority issued from time to time.

SUBSCRIPTION TERMS, CONDITIONS AND INSTRUCTIONS

Subscription Agreement

The Lead Manager and Subscription Agent agreed with the Issuer, as per the Subscription Agreement, subject to fulfillment of certain relevant conditions, to take the necessary care to offer the Issue Shares to the Subscribers at the Offer Price. The Lead Manager and Subscription Agent are not obliged to subscribe to any of the unsubscribed Issue Shares that will not have been subscribed to by Shareholders and Potential Investors.

Subscription Period

The Subscription Period will commence on 3 April 2022 and shall close on 21 April 2022 (with both those dates included in the Subscription Period) in case the entire Offering is covered before that date, as the Issuer has the right to close the Subscription Period before the specified expiry date.

Subscribers

The Preemption Right is available to the Issuer's shareholders whose names are registered in the Issuer's shareholder register by or before the start of the Subscription Period or to whomever the Preemption Rights have devolved. The remaining unsubscribed Offering Shares, if any, will be allocated to the Qualified Shareholders or to those to whom the Preemption Rights have devolved, or to those who applied for subscription with an additional number of Offering Shares exceeding the number allotted to them, or to newly registered shareholders, in accordance with the applicable rules in this regard. The allotment decision shall be final and without any liability on the Issuer or the Subscription Agent.

Under-Subscription

In the case the Offering is not fully subscribed for during the original Subscription Period, the Board of Directors of the Issuer has the right to extend the Offering Period at its sole discretion as long as the total extension period does not exceed three (3) months, provided that the approval of the Capital Markets Authority is obtained for such an extension. If the entire Offering is not depleted during the original Subscription Period and subsequent extensions, then the Issuer must either withdraw the capital increase or be satisfied with the amount that has been subscribed to, and reduce the capital increase. In both cases, the capital decrease must be registered at the commercial registrar based on the Issuer's decision. In the event of cancellation of the Offering, the holders of the Preemption Rights will not be able to exercise their Preemption Rights in respect of the Issue Shares entitlements based on their rights. This may cause the purchaser of a Preemption Right to forfeit the purchase price of the Preemption Right without any recourse against the Issuer or against the Subscription Agent for any claim or compensation.

Subscription Process

Subscription amounts will not be accepted in cash. Subscription amounts must be paid in full via the K-NET service or by wire transfer (as a net amount without fees by both the transferor bank and the transferee bank) to the Subscription Account (non-interest bearing), as shown below:

First: Subscription through the electronic platform for subscription amounts of KD10,000 or less:

The subscription website https://ipo.com.kw allows subscription in the capital increase during the Offering Period, whereby payment shall be made through K-NET service, which is available 24 hours a day for 7 days a week throughout the Subscription Period (noting that the Subscription Period ends at 13:30 on the last day of subscription).

Note: Subscribers should confirm with their respective bank with regards to the permissible limit on their K-NET cards for online payments.

The Subscriber shall:

1. Log in via the mobile application (iOS / Android) or the website via the link: https://ipo.com.kw
2. Select an active IPO from the list.
3. Enter the following Subscriber details: Civil ID number (or commercial registration number for Corporate Subscribers), email address and mobile number.
4. Record the number of shares desired to be subscribed for.
5. At the K-NET payment gateway page, enter bank details for the payment.
6. Receive the subscription payment receipt via email and mobile SMS notification.

Second: Subscription through the electronic platform for subscription amounts of more than KD10,000:

1. Log in via the mobile application (iOS / Android) or the website via the link: https://ipo.com.kw
2. Select an active IPO from the list.
3. Enter the following Subscriber details: Civil ID number (or commercial registration number for Corporate Subscribers), email address and mobile number.
4. Record the number of shares desired to be subscribed for.
5. Print the Subscription Application Form.
6. The Subscriber shall visit their bank and submit a copy of the Subscription Application Form printed from the link above filled with all the necessary information and transfer the required amount by way of electronic bank transfer (net amount without any charges by either the transferring bank or the receiving bank) to the Subscription Account (non-interest bearing) provided below:

Bank Name	National Bank of Kuwait
Account Number	1000450837
Beneficiary Name	Kuwait Financial Centre - Clients – Collection
IBAN	KW46 NBOK 0000 0000 0000 1000 4508 37
SWIFT Code	NBOKKWKW

7. The Subscriber shall obtain an original deposit voucher of the amount transferred from their bank.
8. The Subscriber shall go to the headquarters of the Clearing and Depository Agent located on Arabian Gulf Street, Ahmed Tower, 5th floor, to submit the Subscription Application Form along with the documents listed in the item “Documents required when Submitting the Subscription Application Form” of this Prospectus, from 10:00 in the morning to 13:30 in the afternoon from Sunday through Thursday (except for public holidays) throughout the Subscription Period.
9. The Clearing and Depository Agent shall provide to the Subscriber a deposit receipt of the Subscription.

10. For investment companies that manage investment portfolios on the behalf of their clients: detailed subscription information shall be submitted in accordance with the procedures and form set by the Lead Manager and Subscription Agent, or any party that provides support services to it, in addition to an expression of interest form. The detailed information provided in the form is considered to be complete for determining the final subscription instructions, even if the instructions conflict with what is provided initially in the expression of interest form.

    In the event that any of the Subscribers fails to submit a duly completed Subscription Application Form or detailed subscription information form (for investment portfolios) (together with all required supporting documentation thereto) at the offices of the Clearing and Depository Agent, after transferring the Subscription Amount required in this Prospectus, then the Subscriber's Subscription Application Form will be null and void, noting that that Subscription Amount shall not be accepted in cash.

Documents required when submitting the Subscription Application Form

The subscription application shall be submitted with a proof of payment of the subscription amounts and of the subscriber's IBAN number, in addition to the following documents listed below. The employee responsible for checking the subscription application will check the copies of all documents and means of identification provided alongside the original documents and means of identification and shall return the original documents to the Subscribers.

Individual Subscribers

- Original and copy of personal Civil Identification Card;
- Original and copy of passport for citizens of GCC states;
- Original and copy of Special Legal Proxy for subscribing in shares (for Proxy Subscribers);
- Original and copy of Certificate of Guardianship (for minors/orphans);
- Original and copy of a Limitation of Succession Deed for beneficiaries.
- In the event that the Subscriber does not attend in person, the original authorization form issued by the Subscriber to the person authorized to deal with the administration regarding the Subscription Application Form must be provided (provided that the signature contained in the authorization from the Subscriber's bank is verified).

Legal Person Subscriber

- Original and copy of Commercial Registration Certificate;
- Original and copy of the Authorized Signatories Certificate or the Extract of the Commercial Register, as applicable;
- Original and copy of the personal Civil Identification Card of the authorized signatory;
- Original and copy of the specimen of signature for the authorized signatory issued by the Ministry of Social Affairs and Labor or as attested by the Chamber of Commerce and Industry; and
- In the event the authorized signatory does not attend in person, a letter issued by the authorized signatory to the person authorized to deal in the administrative matters pertaining to the subscription application.

Non-Kuwaiti Subscribers

Non-Kuwaiti subscribers (whether legal or natural persons (as applicable)) are required to provide the equivalent of the aforementioned documentation as issued by their jurisdictional authorities if they do not have Kuwait issued documentation.

Payment of Subscription Amount

The subscription amount shall be paid in full via the K-NET service or by bank transfer (as a net amount without fees by both the transferor bank and the transferee bank) to the subscription bank account (non-interest bearing), noting that the subscription amount will not be accepted in cash. The full subscription value must be received in the subscription account during the Subscription Period and before the subscription closing date at the latest.

Subscription Terms & Conditions

Subscription applications are final, and it is not permissible to cancel them for any reason, even before the closing date of the Subscription Period once they have been submitted. The Subscriber may not add any conditions or restrictions to the subscription application. The subscription application must be genuine and any mock subscriptions with fictitious names or otherwise, are prohibited. The subscription application must be submitted in accordance with this Prospectus prior to the deadline set for the Subscription Period. The Issuer, Clearing and Depository Agent, and the Subscription Agent have the right to exclude duplicate requests and requests that do not fulfill the required information or are in violation of any law, unless they are corrected, and the Subscriber must subscribe through one bank account. In the event that the Subscription Application is submitted by someone who legally represents the Subscriber in accordance with the applicable laws, regulations and relevant rules, the shares shall be allocated in the name of the Subscriber whose name is mentioned in the Subscription Application. The Issuer, Clearing and Depository Agent, and Subscription Agent reserve the right, without referring to the Subscriber, to reject any Subscription Application if it is found that it violates the terms and conditions of this Prospectus or if it does not include all of the required data or documents indicated in the Prospectus or other documents that may be requested by the Clearing and Depository Agent and Subscription Agent. The Subscriber also acknowledges that he has carefully read and understood this Prospectus and all of its contents and that he agrees with the articles of association and memorandum of association of the Issuer and all the terms and conditions of subscription contained in this Prospectus and the right of the Issuer, the Subscription Agent, the Clearing and Deposit Agent to reject any subscription request in any of the cases specified in this Prospectus as well as the acceptance of the Offering Shares allocated to him (with a maximum number of shares requested). The Subscriber further acknowledges his acceptance of all the terms and instructions for subscription contained in the subscription application form and in this Prospectus. In the case of a legal entity subscribing - it acknowledges and is held accountable - that all procedures have been met and all necessary approvals have been obtained under his memorandum of association and articles of association or under the relevant laws to enable it to submit the subscription application and implement its obligations as stipulated in the Prospectus or to waive the preemption right to subscribe including the approval of the Board of Directors and the general assembly - as the case may be - for joint stock companies and the approval of the general manager and the general assembly of partners - as the case may be - for other companies.

Bank Fees and Commissions

The subscriber shall bear the bank fees and commissions related to the method of paying the subscription value for the subscription amount applied for.

Allocation of Shares

Shares shall be allocated to Subscribers within a maximum period of five (5) business days after the closing of the Subscription Period.
The Issuer's Board of Directors will allocate all the shares subscribed to by the shareholders who hold the preemption right on a pro rata basis.

The Issuer's Board of Directors will offer the surplus subscribed shares, in excess of the preemption rights, firstly to qualified shareholders who wish to subscribe to a number of shares that exceed the percentage allocated to each of them and in proportion to the shares they already own, secondly to other shareholders and thirdly to new shareholders, in accordance with the decision of the Issuer's Board of Directors issued on 30 January 2022, pursuant to the Issuer's extraordinary general assembly decision issued 20 December 2021, that approved the right of existing and new shareholders to subscribe to the surplus shares that the shareholders with the preemption rights have not subscribed to. The Board of Directors will dispose of the fractional shares (if any) in the manner it deems appropriate in accordance with the provisions of the law.

Refund of Subscription Surplus Amount

The value of the subscription will be paid by the subscribers during the Subscription Period and in any event before the closing date of the Subscription Period. If there is any surplus in the sums that the subscribers transferred to the subscription account, any such surplus amounts will be refunded, without interest, within a period not exceeding five (5) business days from the date of the allocation of shares.

Expected timeframe

Date	Event
Record Date	28 March 2022
Share trading date without maturity	Two trading days before the Record Date according to the T+3 settlement cycle
Start date of Subscription Period	3 April 2022
Start date of trading in preemption rights trading	3 April 2022
End date of trading in preemption rights trading	14 April 2022
End date of Subscription Period	21 April 2022
Allocation of Offering Shares	28 April 2022
Refund of subscription amounts to subscribers	Within 5 working days from the date of announcement of the allocation
Trading the Offering Shares on Boursa Kuwait	Will be listed on Boursa Kuwait after the completion of all the required regulatory procedure and register the shares with the regulators and the Kuwait Clearing Agency

Abidance with the Laws

The Lead Manager and Subscription Agent and the Issuer shall comply with all laws and regulations relating to the Issue Shares that may be effective in the countries where they wish to offer, market or subscribe the Issue Shares or distribute this Prospectus. The Issuer and the Lead Manager and Subscription Agent shall obtain all the applicable approvals, authorizations, and/or permits that are required by such countries in order to carry out any of the activities set forth above according to the applicable laws and regulations in each relevant country.

USE OF PROCEEDS

The total value of the capital increase after the addition of the issue premium is KD 104,946,661 (one hundred and four million, nine hundred and forty-six thousand and six hundred and sixty-one Kuwait Dinars). The proceeds of the capital increase will be used to develop the Issuer's business to achieve growth in the Issuer's revenues and continue to implement its future plans and objectives, in addition to covering the issuance expenses and some of the expenses incurred from the capital increase.

The following table shows the size of the issuance and the estimated uses of proceeds:

Size of the Issuance	Amount (KWD)
Nominal value of the Offering	52,473,330.5
Total value of the share issuance premium	52,473,330.5
Total	**104,946,661**

Estimated Uses of the Offering Proceeds	Amount (KWD)
General corporate purposes	104,446,661
Share issuance related costs (maximum)	500,000
Total	**104,946,661**

BUSINESS DESCRIPTION OF THE ISSUER

Incorporation

National Industries Group Holding K.P.S.C. (also referred to herein as the "Group" or "Company" or "Issuer" or "NIGH") is a public Kuwaiti shareholding company established under Amiri decree no. 1960/8 dated 10 August 1960 and its subsequent amendments. The Group is listed under Commercial Registration no. 8392 dated 23 April 2003 and is subject to regulations of the Ministry of Commerce and Industry ("MOCI") and is also regulated by the Capital Markets Authority ("CMA") in the State of Kuwait, in accordance with Law No. 7 of 2010 concerning the establishment of the Capital Markets Authority and regulating the activity of securities and its executive regulations issued pursuant to the Capital Markets Authority Resolution No. (72) of 2015, as amended.

Registered Office

The Group's registered office is Shuwaikh – Jahra Road Interchange, beside the Kuwait Red Crescent Society; P.O. Box 417 Safat, 13005, State of Kuwait and its telephone number is +965 2484 4739 / 2484 9466.

Main Objectives as per the Articles of Association

1. Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
2. Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
3. Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
4. Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
5. Employing excess funds available with the Group by investing them in investment and real estate portfolios managed by specialized companies.

The Group may have an interest or participate in any way in entities that carry out activities similar to its work or which may assist the Group in achieving its objectives in Kuwait or abroad, and may acquire or integrate such entities with its operations.

Listing

The Group's shares were publicly listed on Boursa Kuwait (formerly Kuwait Stock Exchange) on 29 September 1984. The Group is currently listed on the Premier Market of Boursa Kuwait.

Authorized, Issued and Paid-Up Capital

As at 30 September 2021, the Group had an authorized, issued and paid-up share capital of KD 149,923,801.4 comprising of 1,499,238,014 shares of KD 0.100 each.

Major Shareholders

The following table presents the Group's major shareholders that own 5% or more, as at 31 January 2022:

Shareholder Name	Ownership (%)
Public Institution for Social Security (indirect)	11.11%
Kuwait Cement Company & Group (Amwaj Real Estate Company) (direct & indirect)	10.10%

Treasury Shares held by the Group amounted to 29,560,940 ordinary shares representing 2.00% of total outstanding shares of the Group, as at 30 September 2021.

Subsidiaries

The following table presents the Group's subsidiaries as at 30 September 2021:

Name	Country	Business Activity	Ownership %
Al Durra National Real Estate - KSC (Closed)	Kuwait	Real Estate	97%*
National Combined Industries Holding Company for Energy - KSC (Closed)	Kuwait	Investments	96%*
Pearl National Holding - KSC (Closed)	Kuwait	Investments	99%*
Economic Holding Company - KSC (Closed)	Kuwait	Investments	97%*
BI Group Plc	United Kingdom	Specialist Engineering	100%
Proclad Group Limited	UAE	Specialist Engineering	100%
Eagle Proprietary Investments Limited	UAE	Financial Services	100%
Pearl Offshore Enterprises Limited	British Virgin Islands	Investments	100%
Denham Investment Limited	Cayman Islands	Investments	85%
Ikarus Petroleum Industries Company - KSC (Closed)	Kuwait	Petroleum	72%
National Industries Company – KPSC	Kuwait	Industrial	50%
Noor Financial Investment Company – KPSC	Kuwait	Financial Services	50%

** The Group's holding of these subsidiaries are 100% and the remaining stakes are held by nominees on its behalf*

Associates

The following table presents the Group's associates as at 30 September 2021:

Name	Country	Business Nature	Ownership %
Meezan Bank Ltd - (Quoted)	Pakistan	Islamic Banking	35%
Privatization Holding Company - KPSC (Quoted)	Kuwait	Investments	36%
Kuwait Cement Company - KPSC (Quoted)	Kuwait	Industrial	27%
Mabanee Company - KPSC (Quoted)	Kuwait	Real Estate	18%

BUSINESS OVERVIEW

Overview

The National Industries Group Holding K.P.S.C was incorporated in the State of Kuwait on 10 August 1960 as a Kuwaiti shareholding company under the Kuwaiti Companies Law No. 15 of 1960, originally by the name of the National Industries Company K.S.C. The Group's founding shareholders were several government entities with a 51% share of the issued capital and a group of prominent Kuwaiti families with the remaining 49%; the Group's initial issued capital at the date of incorporation was 20 million Indian Rupees (equivalent to 1.5 million Kuwaiti Dinars).

The Group is a diversified holding company, where its original business was the manufacturing of building materials. Over the years, the Group has diversified though direct investments in oil, gas, petrochemicals, heavy industries, infrastructure and privatization programs pertaining to power generation and public utilities, in addition to investing in an extensive portfolio of international investments.

The Group was responsible for the management and operation of two government-owned factories established by the Kuwaiti government in 1955 – a cement and a limestone production factory. In 1962, NIGH began investing in industrial activity and established a water pipes and sewage plant through Asbestos Kuwait Company as well as a factory for the manufacturing of products sourced from plastic through the Plastic Industries Company.

During the 1960s, NIGH was behind a large number of industrial establishments, such as the Kuwait Cement Company, Kuwait Metal Pipes Industries, Contracting and Marine Services Company, Gulf Cable and Electrical Industries Company. Throughout the 1970s, the Group participated in the establishment of two major industrial complexes for building materials, namely the Sulaibiyah Complex, which specializes in products sourced from cement, and the Mina Abdullah Complex, which specializes in limestone-sourced products and plastics. Furthermore, the Group became involved in the manufacturing of household goods like washing detergents, under licensing from Henkel (Germany), and the production of automotive batteries and tires.

During the 1980s, the Group participated in a number of industrial activities within and outside of Kuwait, where it was the founder of the Saudi Sand Lime Bricks & Building Materials Company (KSA), the Gulf Gravel Company (UAE) and the National Quarries Company (UAE).

In 1995, NIGH underwent a restructuring exercise where it exited certain activities and divested non-core investments in order to focus on a select group of sectors instead. Moreover, the Group's ownership structure changed after government entities sought out to sell their shares through a public offering on Boursa Kuwait (formerly Kuwait Stock Exchange).

Business Activities

The purpose of this section is to give an overview of the business activities of the Group. The below overview lists the main investments of the Group and is in no way exhaustive of all the list of investments of the Group.

The Group operates as a holding company with a portfolio of wholly or partially-owned investments, in addition to a portfolio of financial investments managed through third parties. NIGH's investments are focused on the following 6 key sectors:

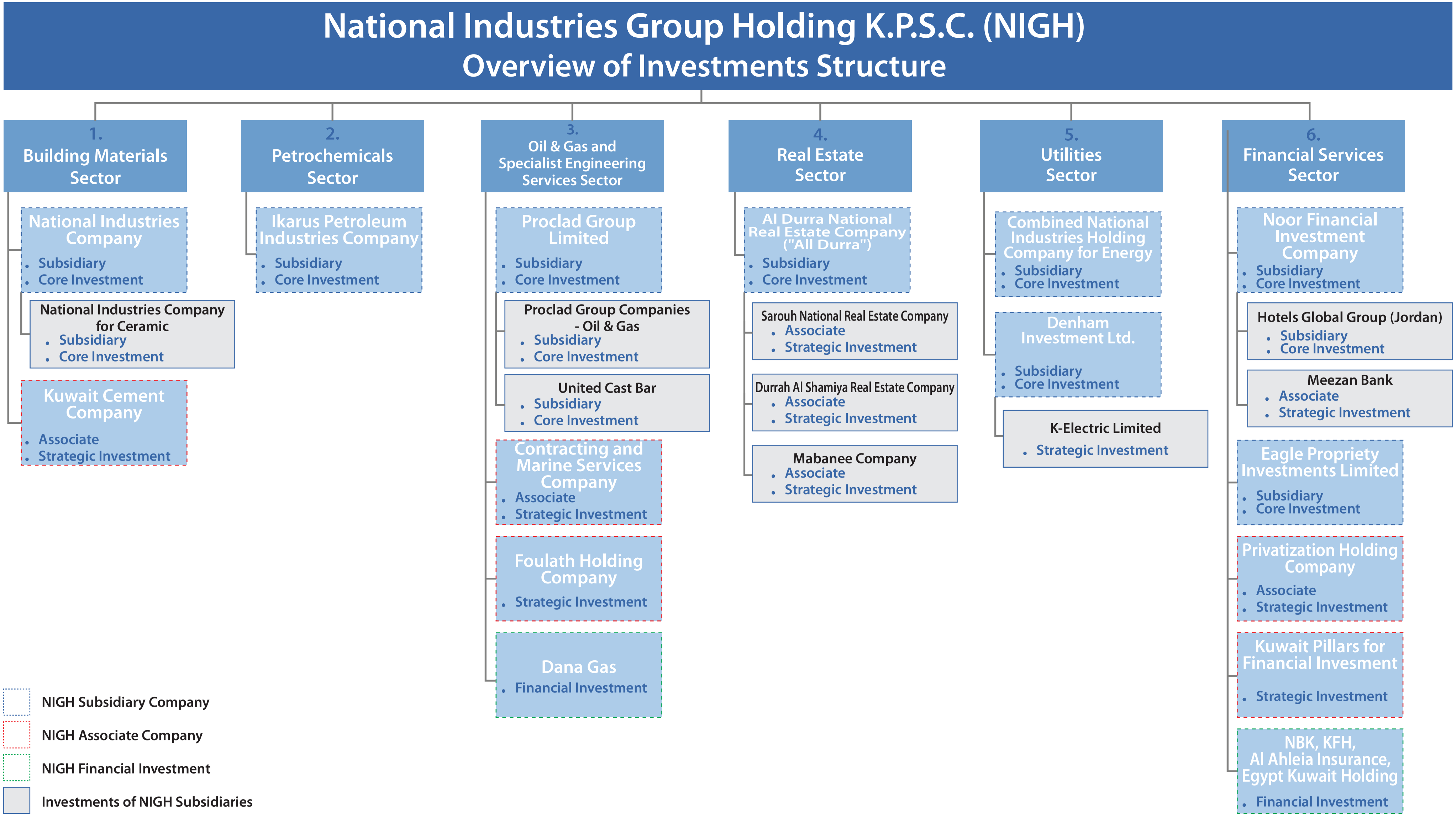
1. Building materials sector.
2. Petrochemicals sector.
3. Oil & Gas and Specialist Engineering Services sector.
4. Real Estate sector.
5. Utility Services sector.
6. Financial Services sector.

Investments by the Group under any of the aforementioned sectors can be further categorized as per the following:

- **Core Investments:** Long-term investments in the Group's key investment sectors, where it owns more than 50% stake (although some exceptions may exist depending on the nature of the investment). The Group controls the management of its Core Investments.
- **Strategic Investments:** Investments with an investment horizon of five to ten years during which the Group may exit if a profitable opportunity arises. The Issuer typically holds a 10% to 50% stake of Strategic Investments (some exceptions may exist depending on the nature of the investment). The Group has a significant influence over the management of its Strategic Investments.
- **Financial Investments:** Short to medium term investments where the Group does not have control or influence over such investments.

The following section illustrates the major subsidiaries, associates and investments of the Group as at 30 September 2021:

Group Investments Structure



Core and Strategic Investments

1. Building Materials Sector

1.1 National Industries Company K.P.S.C. ("NICBM")

- Subsidiary (NIGH Direct & Indirect Ownership Share 50%)
- Core Investment

NIGH has been operating within the building materials sector since the 1960s, where with the expansion of its investments into various sectors, the Group decided to spin off its activities in the building materials sector into a newly formed entity under the name of National Industries Company K.P.S.C. – a subsidiary of the Group. NICBM was listed on Boursa Kuwait (previously Kuwait Stock Exchange) on 13 October 2003. NICBM's paid-up capital amounted to KD 35.1 million as at 30 September 2021, where NIGH holds a 50% share. The company is considered a Core Investment of the Group and is within its operational activities.

NICBM's activities are focused on the manufacturing of building materials, in addition to providing complementary products that meet the demand for building materials of the housing and infrastructure projects in Kuwait and the MENA region. NICBM's building materials products include limestone, sand limestone, concrete pipes and polyethylene pipes. Moreover, NICBM manufactures concrete and plastic pipes, and extracts rocks from a quarry that is leased from the government and is located in Al-Ahmadi area.

NICBM owns two factories in Mina Abdullah and Sulaibiyah with a total of 16 production plants and a quarry in Al-Ahmadi, as well as its partnership in factories present in Saudi Arabia, Bahrain and Oman. The total number of NICBM employees is 1,800 as at 30 September 2021.

Mina Abdullah Factories Group

The Mina Abdullah factories group manufactures lime-sourced products, such as limestone and white blocks, plastic-base products such as plastic pipes and equipment for industrial use, as well as a wide range of building materials and other products for infrastructure projects and needs. The following is a list of materials manufactured and factories operated by NICBM in Mina Abdullah: autoclaved aerated concrete block, sand lime bricks, PVC, quarry, lime, plaster, wall-covering and cladding, high-density polyethylene (HDPE), polypropylene, paint, ready-mix plant, ceramic and porcelain, and special use materials.

Sulaibiyah Factories Group

The Sulaibiyah factories group manufactures cement-based materials, such as ready-mix cement and a variety of tiles and interlocked tiles, in addition to any supplementary products required for infrastructure projects including concrete pipes and its derivatives. The following is a list of materials manufactured and factories operated by NICBM in Sulaibiyah: ready-mix, tiles and curbstones, concrete pipes, interlock tiles, and sand-washing station.

The following table a summary of the financial performance and position of NICBM for the years ended 2018, 2019 and 2020 and the fiscal quarters ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Revenue1	52.9	48.1	36.2	25.0	30.5
Profit/(loss)	3.8	4.0	(0.7)	(1.9)	1.7
Total Assets	112.0	114.3	118.3	113.0	119.2
Total Liabilities	23.1	25.5	30.0	28.1	29.9
Shareholders' Equity	88.9	88.8	88.3	84.9	89.3

1.2 Kuwait Cement Company K.P.S.C. ("KCEM")

- Associate (NIGH Direct Ownership Share 27%)
- Strategic Investment

Kuwait Cement Company was established as a shareholding company in 1968, and was listed on Boursa Kuwait (previously Kuwait Stock Exchange) in 1984. KCEM is considered to be the largest cement company in Kuwait with a paid-up capital of KD 73.3 million as at 30 September 2021.

The company is primarily involved in the production, supply and transportation of cement. KCEM is the primary national supplier of regular cement, regular portland cement resistant to sulfate, salt-resistant cement, white portland cement for industrial purposes, cement used for petroleum wells, among other types of cement in Kuwait.

The following table presents a summary of the financial performance and position of KCEM for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Sales	96.3	81.8	42.5	30.1	36.5
Profit/(loss)	7.9	4.0	(18.2)	(16.1)	(2.8)
Total Assets	301.9	316.0	279.0	282.8	292.1
Total Liabilities	108.8	106.7	103.0	107.3	95.9
Total Equity	193.2	209.3	176.0	175.5	196.2

2. Petrochemicals Sector

2.1 Ikarus Petroleum Industries Company K.S.C. (Closed) ("Ikarus")

- Subsidiary (NIGH Ownership Share 72%)
- Core Investment

The Group established Ikarus Petroleum Industries Company (formerly known as National Company for Cement Industries) on 1 February 1997. Ikarus was listed on Boursa Kuwait (previously Kuwait Stock Exchange) in April 2008 but was later delisted in February 2017.

Ikarus operates as a holding company that invests in local or regional firms operating in the oil and gas and petrochemical industries. Ikarus' major investments include holdings in Sahara International Petrochemical Company (formerly known as the Saudi International Petrochemical Company (Sipchem)) and Middle East Chemical Company Ltd., both of which are based in Saudi Arabia and specialize in chemical manufacturing operations.

The following table presents a summary of Ikarus' financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Revenues	4.5	5.2	5.2	3.9	4.1
Net profit/(loss)	10.4	4.4	1.3	(2.5)	30.0
Total Assets	121.9	111.7	111.8	114.1	169.2
Total Liabilities	10.6	26.4	31.5	30.1	36.1
Total Equity	111.3	85.3	80.3	84.0	133.1

3. Oil and Gas and Specialist Engineering Services

3.1 Proclad Group Limited ("Proclad Group")

- Subsidiary (NIGH Ownership Share 100%)
- Core Investment

Proclad Group is a holding company that was established in 1985, where the primary activities of the company include oil and gas services and specialist engineering services managed through its subsidiary United Cast Bar.

Proclad Group is a major producer of and utilizes advanced technology in the protective weld cladding of pipeline components for the oil and gas, petrochemical and energy sectors. Proclad Group has refined protective weld cladding solutions for pipelines and its components to cover internal surfaces from anti-rust environments. Moreover, the operations of Proclad Group have expanded to include supplying coating and cladding products, supplying hydraulic pipes, site installation across several sectors, special applications of engineering, procurement and construction contracts, and special applications for oil & gas companies.

Further, Proclad Group retains technical specializations in the key areas of oil & gas production around the world, where its productions cover the Middle East, Brazil, Commonwealth Countries, North and West Africa, North America, China and South-East Asia.

Proclad Group also maintains sales offices in Australia, the United States, China, Indonesia and South Korea for coverage of oil & gas markets in those countries. The company's customer base includes British Petroleum (BP), ExxonMobil, Chevron, ADNOC – UAE, NPCC – UAE, PT Pertamina (Persero), Saudi Aramco, Hyundai Oilbank, WorleyParsons, and Petrofac – UAE.

The following table presents some of Proclad Group's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in USD million	**2018**	**2019**	**2020**	**2020**	**2021**
Revenues	177.2	214.6	180.2	118.5	119.6
Net profit/(loss)	(10.4)	(8.1)	(4.4)	(8.4)	(10.1)
Total Assets	264.9	274.8	304.0	300.0	279.5
Total Liabilities	125.6	143.6	176.9	174.8	163.9
Total Equity	139.3	131.2	127.1	125.2	115.6

The following is a summary of Proclad Group's major investments and subsidiaries:

3.1.1 United Cast Bar Limited ("UCB")

- Subsidiary (Proclad Ownership Share 100%)
- Core Investment

Proclad Group operates in activities of specialized engineering of minerals through its subsidiary United Cast Bar, which was incorporated in February of 1998 as a merger between three specialized European manufacturers of continuous cast iron bars, which are Eurocast Bar Ltd. (UK), Starkey's Technicast Ltd. (UK) and Cast Profil SA (Spain); the merger also included the combining of each of the companies' production facilities which specialize in the production of cast iron bars.

UCB is one of the leading manufacturers of cast iron and has more than 50% market share of markets it operates in within Europe and Asia. UCB has offices in markets of Korea, Turkey, Germany, Austria, France, Sweden and a number of other countries.

UCB have expanded their operations and distributions network via the expansion of its production capacity in factories located in the UK and Spain to 65,000 tons/annum of Unibar, accomplished through 2 factories, 9 marketing centers across Europe and Asia and more than 300 employees.

3.2 Contracting and Marine Services Company K.S.C.C. ("CMS")

- Associate (NIGH Ownership Share 17.8%)
- Strategic Investment

The Contracting and Marine Services Company was established as a closed shareholding company on 13 September 1973, to provide marine and oil contracting services in Kuwait and the GCC region including offshore drilling and maintenance of oil wells and other offshore oil and petroleum services. Moreover, CMS has strategic investments in Kuwait Drilling Company and International Marine Construction Company.

CMS listed its shares on Boursa Kuwait (previously Kuwait Stock Exchange) in 1984 but was later delisted in 2017.

3.3 Foulath Holding Company B.S.C. ("Foulath")

- NIGH Ownership Share 10%
- Strategic Investment

Foulath Holding Company was established in 2008 as a Bahraini holding company for the purpose of investing in steel production within the GCC and MENA region. In 2010, Foulath inaugurated 3 main production factories, which are considered to be, in addition to its previously constructed factories, an integrated complex for the production of steel and iron in the Kingdom of Bahrain with the total investment value reaching USD 3.5 billion. Furthermore, Foulath has established several companies that operate in various stages of steel production, where it has established an integrated steel complex in the Kingdom of Bahrain.

Foulath is categorized as a Strategic Investment and is classified in the financial statements of NIGH as financial assets held at fair value through other comprehensive income.

The following table presents some of Foulath's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in USD million	**2018**	**2019**	**2020**	**2020**	**2021**
Revenues	1,463.9	1,696.5	1,362.7	974.2	2,373.1
Net profit/(loss)	123.1	43.1	(15.7)	(21.6)	97.5
Total Assets	2,461.7	2,323.2	2,343.9	2,346.4	2,671.9
Total Liabilities	1,103.5	1,036.0	1,075.5	1,079.3	1,298.6
Total Equity	1,358.2	1,287.2	1,268.4	1,267.1	1,373.3

3.4 Financial Investments in the Oil and Gas and Specialist Engineering Sectors

The following table presents other investments by the Group classified as Financial Investments under the Oil & Gas and Specialist Engineering:

Financial Investments	Ownership (%)
Dana Gas PJSC	2.4%

Dana Gas PJSC ("Dana Gas") is the Middle East's first and largest regional private sector natural gas company. It was established in December 2005 with a public listing on the Abu Dhabi Securities Exchange (ADX). Dana Gas has exploration and production assets in Egypt, Kurdistan Region of Iraq (KRI) and UAE, with an average production output of 63,200 boepd in first nine months of 2021. The company has sizeable assets in Egypt, KRI and the UAE with total value of USD 2.7 billion and total equity amounted to USD 2.3 billion as at 30 September 2021.

4. Real Estate Sector

4.1 Al Durra National Real Estate Company K.S.C.C. ("Al Durra")

- Subsidiary (NIGH Ownership Share 100%)
- Core Investment

Al Durra was established in December 2005 as a fully-owned subsidiary of NIGH, under the name of the National Company for Storage and Refrigeration K.S.C.C. Al Durra represents the real estate investments arm of NIGH with a share capital of KD 100 million with total assets of KD 235.5 million as at 30 September 2021. In addition to its major investment in Mabanee Company, Al Durra is invested into a portfolio of investment properties that includes income-generating properties and land under construction, where the total value of these investments reached KD 39.4 million as at 30 September 2021.

The following table presents a summary of Al Durra's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KWD million	**2018**	**2019**	**2020**	**2020**	**2021**
Income/(loss)	6.2	9.0	(3.0)	(0.9)	10.4
Net profit/(loss)	4.6	7.1	(4.9)	(2.1)	5.6
Total Assets	227.7	238.7	231.9	238.8	235.5
Total Liabilities	45.2	49.2	48.7	50.9	46.0
Total Equity	182.5	189.5	183.2	187.9	189.5

As at 30 September 2021, Al Durra's investments and corresponding ownership share of investments include:

4.1.1 Mabanee Company K.P.S.C. ("Mabanee")

- Associate (NIGH Direct & Indirect Ownership Share 17.9%)
- Strategic Investment

Mabanee was established in 1964 and listed on Boursa Kuwait (previously Kuwait Stock Exchange) in 1999. Mabanee is the largest real estate company in Kuwait with a share capital of KD 117.1 million as at 30 September 2021.

One of the major assets of Mabanee is the Avenues Mall, the largest commercial mall in Kuwait consisting of four phases in addition to a hotel and multiple cinema theaters spanning a total lease area of 425,000 square meters and an occupancy rate of 93.9% as at 30 September 2021. Mabanee also operates several projects, which includes the Hilton Garden Inn, a four-star hotel located on the north side of Avenues Mall, and the Waldorf Astoria Hotel, a five-star luxury hotel located on the south side of the Avenues Mall and that is currently under construction with a completion rate of 93% as at 30 September 2021. Further, the company continues to target Public-Private Partnerships ("PPP") and Build-Operate-Transfer ("BOT") projects.

Mabanee also owns a range of projects within the GCC, including the Avenues Mall in Bahrain, where the first phase comprises of 210 stores spanning a total lease area of 40,000 square meters and an occupancy rate of 90% as at 30 September 2021; the second phase of the project is under development. Moreover, Mabanee is also working on the development of Avenues Mall in Sharjah (UAE), Riyadh and Khobar (KSA). The following table presents a summary of Mabanee's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Revenues2	85.4	96.4	65.5	40.9	73.8
Net profit/(loss)	52.1	56.1	21.6	9.3	40.6
Total Assets	862.8	965.1	964.8	984.3	1,057.7
Total Liabilities	377.4	418.2	409.8	439.7	469.4
Total Equity	485.4	546.9	555.1	544.5	588.3

4.1.2 Real Estate Funds

In addition to the aforementioned investments, Al Durra invests in 17 foreign real estate funds valued at a total of KD 5.6 million held across the United States, United Kingdom, China and Europe.

4.2 J3 for Management and Development of Lands and Real Estate W.L.L.

The J3 Investment Opportunity in Jaber Al-Ahmad Residential City was awarded in 2020 by the Public Authority for Housing Welfare ("PAHW") to a consortium of three Kuwaiti companies, containing NIGH, Privatization Holding Company and Mabanee Company, where the winning consortium submitted the best offer and was considered the "winning investor" for the project. The Group, along with its consortium, have signed a partnership agreement on 15 July 2020 with PAHW, which includes the design, construction, financing, operation, maintenance and transfer of the J3 Investment Opportunity, where the project comprises a residential investment facility with 276 housing units and a commercial complex in Jaber Al-Ahmad Residential City. The project will be developed by the consortium on a total area of 217,272 square meters and is expected to be completed within a period of 4 years, followed by a 25-year right-of-use period. The total project value is KD 156,300,000, where the total value is distributed as follows:

1. National Industries Group Holding	32.5%
2. Privatization Holding Company	32.5%
3. Mabanee Company	35.0%

The Privatization Holding Company and Mabanee Company are associates of the Group.

5. Utility Services Sector

5.1 Combined National Industries Holding Company for Energy K.S.C.C. ("NI Energy")

- Subsidiary (NIGH Ownership Share 100%)
- Core Investment

The Combined National Industries Holding Company K.S.C.C. was established on 6 May 2006 for the purpose of targeting investments in the energy, utilities, infrastructure and renewable energy sectors within the GCC, MENA and emerging markets. The primary activities of NI Energy include:

- Direct investments in energy, utilities and infrastructure sectors;
- Direct investments in BOT projects within the scope of Public-Private Partnerships (PPPs); and
- Mechanical maintenance of energy power stations and transmission and generation of electricity.

The share capital of NI Energy amounted to KD 45 million as at 30 September 2021. Moreover, the table below presents a summary of NI Energy's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Revenue/(loss)	(0.3)	0.9	0.1	0.0	0.1
Net profit/(loss)	(0.0)	0.8	(0.0)	0.1	(0.1)
Total Assets	48.7	49.7	49.1	49.4	49.8
Total Liabilities	0.2	0.2	0.3	0.2	0.4
Total Equity	48.5	49.5	48.8	49.2	49.4

5.2 Denham Investment Limited ("Denham")

- Subsidiary (NI Energy Ownership Share 70%)
- Core Investment

Denham Investment Limited was established for the purpose of investment in KES Power Limited which in turn invested in K-Electric Limited ("K-Electric") (formerly known as Karachi Electric Supply Company Limited).

KES Power Limited currently owns a 66.4% stake in K-Electric Limited, whereas Denham owns an 18.5% stake in KES Power Limited. Denham Investment Limited owns indirectly 12.3% of K-Electric Limited and is classified in the financial statements of NIGH as financial assets held at fair value through other comprehensive income.

K-Electric is a fully integrated utility company located in Pakistan with significant dominance in the generation, transmission and supply of energy to Karachi and surrounding cities. The company maintains a total installed power generation capacity of more than 2,000 megawatts (MW) and a licensed area spanning 6,500 km2. Moreover, K-Electric is listed on the Pakistan Stock Exchange, and boasts a client base of around 3.2 million customers.

6. Financial Services Sector

6.1 Noor Financial Investment Company K.P.S.C. ("Noor")

- Subsidiary (NIGH Ownership Share 50%)
- Core Investment

Noor Financial Investment Company K.P.S.C. was established in 1996 in Kuwait and was listed on Boursa Kuwait (previously Kuwait Stock Exchange) in May 2006. The company holds a variety of financial services and real estate investments, manages portfolios and mutual funds and offers advisory services to its clients. The company's share capital amounts to KD 41.3 million as of 30 September 2021.

Noor has recently completed the merger of its subsidiary – Noor Telecommunication Holding Company KSCC – into Noor by amalgamation. Noor's equity has grown from KD 55 million in 2018 to KD 83.7 million as of 30 September 2021. Further, Noor has reduced its total liabilities, which amounted to KD 29 million as of 30 September 2021, by divesting some of its investments and using the proceeds to repay the outstanding liabilities. Total outstanding debt decreased by 61% to reach KD 18.4 million as of 30 September 2021 compared to KD 49 million as of 31 December 2018.

Below is a summary of Noor's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Income	30.7	30.0	28.5	21.6	25.2
Net profit/(loss)	23.8	8.9	12.1	9.5	13.9
Total Assets	131.3	108.2	107.2	106.6	115.4
Total Liabilities	61.7	37.0	33.6	35.9	29.3
Total Equity	69.1	71.3	73.6	70.7	86.1

The following is a summary of Noor's major assets:

6.1.1 Meezan Bank Limited (Pakistan)

- Associate (Noor's Ownership Share 35.3%)
- Strategic Investment

Meezan Bank is the first and largest Islamic bank in Pakistan, established in 2002 with total assets reaching KD 3 billion as of 30 September 2021, and its customer deposits represents more than 50% of the total deposits of the Islamic banking sector in Pakistan. The bank has 849 branches all across Pakistan (as of 30 September 2021), where it offers traditional as well as alternative banking services to customers including online banking, ATMs, Visa and MasterCard cards, debit cards, SMS services, mobile banking and payment services through ATM. Meezan Bank is listed on the Pakistan Stock Exchange and has received a number of recognition awards from local and international financial institutions in the past few years.

The following table presents a summary of Meezan's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Income	65.2	101.0	134.4	102.4	106.1
Net profit/(loss)	16.2	28.0	40.2	32.7	35.4
Total Assets	1,667.8	1,994.4	2,703.5	2,353.9	3,016.1
Total Liabilities	1,590.7	1,883.2	2,573.9	2,220.1	2,863.5
Total Equity	77.2	111.2	129.7	133.9	152.7

6.1.2 Hotels Global Group Company P.S.C. (Jordan)

- Subsidiary (Noor's Ownership Share 100%)
- Core Investment

The Hotels Global Group Company retains the management rights of Queen Alia International Airport's hotel for a period of 25 years, starting from 2008 until 2033. The hotel is a 4-star hotel with 300 rooms, a variety of restaurants and many other services, and is managed through a team of hotel management specialists that work for the company. As such, the Hotels Global Group Company offers hospitality and hotel management services. In addition, the Hotels Global Group Company operates the Petra Lounge at

Queen Alia International Airport; the lounge provides an ideal resting place for transit passengers, where 500 customers per day are served.

6.2 Eagle Propriety Investments Limited ("Eagle Investments")

- Subsidiary (NIGH Ownership Share 100%)
- Core Investment

A fully-owned subsidiary of the Group established in 2008, where it operates out of its headquarters in the world-renowned Dubai International Financial Centre (DIFC) with the particular purpose of investing in private international assets as well as offering various other financial services.

6.3 Privatization Holding Company K.P.S.C. ("PHC")

- Associate (NIGH Direct Ownership Share 35.8%)
- Strategic Investment

PHC is a shareholding company established in 1994 that became a publicly listed on Boursa Kuwait (previously Kuwait Stock Exchange) in 2005. The company's paid-up capital amounts to KD 61.0 million as of 30 September 2021. PHC maintains a diversified investment portfolio of companies operating in the infrastructure, energy, renewable energy, services, facilities, health care and real estate. PHC has a proven track record of participating in many past and current opportunities and projects, within a PPP framework in different sectors, in addition to investment opportunities in industrial land development and operational projects in the MENA and GCC region, with a particular focus on Kuwait.

The following table presents a summary of PHC's financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Revenue	9.4	16.4	8.8	4.4	7.2
Net profit/(loss)	(4.0)	(0.6)	(4.2)	(4.7)	(1.4)
Total Assets	133.6	126.8	123.4	123.2	122.0
Total Liabilities	45.5	42.6	46.3	46.1	46.1
Total Equity	88.1	84.2	77.1	77.0	75.9

6.4 Kuwait Pillars for Financial Investment K.S.C.C. ("Kuwait Pillars")

- Strategic Investment (NIGH Ownership Share 10.7%)

Kuwait Pillars (formerly Strategia Investment Company K.S.C.C.) was established in March 2004 with the purpose of investing in funds and private equity, in addition to other investment activities. Kuwait Pillars was publicly listed on Boursa Kuwait (previously Kuwait Stock Exchange) on 3 December 2008 and was delisted Kuwait on 1 March 2016. Kuwait Pillars has a group of subsidiaries specialized in various fields of investment, both in Kuwait and the United States of America, in addition to the management of funds and private equity investments.

Kuwait Pillars is considered a strategic investment for the Group, and is classified in the financial statements of the Group as financial assets held at fair value through other comprehensive income.

The following table presents a summary of Kuwait Pillars' financial performance and position for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021:

	For the year ended 31 December			For the nine months ended 30 September	
in KD million	**2018**	**2019**	**2020**	**2020**	**2021**
Income	1.4	2.9	(3.9)	(1.8)	4.9
Net profit/(loss)	0.1	1.6	(5.1)	(2.6)	4.0
Total Assets	40.2	42.7	37.6	40.6	45.6
Total Liabilities	5.6	6.5	6.3	6.8	10.2
Total Equity	34.6	36.2	31.3	33.8	35.4

6.5 Financial Investments of the Issuer in the Financial Services sector

Below is a list of the major investments by the Issuer in the financial services sector and which are categorized as Financial Investments for the Issuer as at 30 September 2021:

Financial Investments	Ownership (%)
Al Ahleia Insurance Company S.A.K.P.	8.5%
Egypt Kuwait Holding Company E.J.S.C.	3.4%
Kuwait Finance House K.S.C.P.	1.6%
National Bank of Kuwait S.A.K.P.	0.9%

Financial Investments

In addition to the group of Financial Investments mentioned above in each of sectors, the Group's Financial Investments include a diversified portfolio of local and foreign securities and funds, which are held directly and indirectly through its subsidiaries and associates. The estimated value of the Group's financial investments portfolio (including some Strategic Investments) is KD 584.4 million, comprising of KD 393.2 million in financial assets held at fair value through P&L and KD 191.2 million in financial assets held at fair value through OCI as at 30 September 2020.

Financial assets held at fair value through P&L are comprised of short to medium term investments in quoted equities and debt instruments, unquoted equity participations, and managed portfolios and funds. The following is a summary of the Group's financial assets held at fair value through P&L:

	For the year ended 31 December			For the nine months ended 30 September
in KD million	**2018**	**2019**	**2020**	**2021**
Local quoted shares	147.9	188.8	161.9	193.3
Foreign quoted shares	66.6	51.4	44.4	82.6
Unquoted equity participations	21.6	26.4	13.9	14.1
Quoted debt securities	1.3	1.3	-	-
Local funds	2.5	2.6	2.3	2.2
Foreign managed portfolios and funds	124.8	139.9	91.0	101.0
Total financial assets held at FVTPL	364.7	410.4	313.5	393.2

Financial assets held at fair value through OCI are comprised of medium to long-term investments in quoted and unquoted shares and managed portfolios and funds. A summary of the Group's financial assets held at fair value through OCI is as follows:

	For the year ended 31 December			For the nine months ended 30 September
in KD million	**2018**	**2019**	**2020**	**2021**
Local quoted shares	10.2	12.7	8.3	11.0
Foreign quoted shares	35.6	35.0	33.2	39.5
Local unquoted equity participations	23.7	25.3	25.2	15.1
Foreign unquoted equity participations	117.4	107.1	142.6	103.8
Managed portfolios and funds.	29.6	23.8	21.6	21.8
Total financial assets held at FVTOCI	216.5	203.9	230.9	191.2

STRATEGY AND BUSINESS PLAN

The Group's strategy focuses on the development and expansion of the operational activities of its Core Investments, in addition to improving the efficiency of managing its Strategic and Financial Investments in order to achieve optimal financial management and results for the Group. As such, the Group's strategy can be summarized as follows:

1. Core Investments

- **National Industries Company K.P.S.C.**

  NICBM was established in Kuwait in 1961 to manufacture and market building materials and infrastructure products. NICBM remains a leader in the construction and building materials sector in Kuwait and GCC due to the expansion of its industrial base and its commitment to a product diversification strategy to guarantee income growth and an increase in shareholders' equity. The company owns and operates 16 production plants and a quarry, and has 1,800 employees.

  In addition, NICBM aims to increase its market presence in the other GCC countries through acquisitions of well-performing companies operating in the building material sector. In recent years, NICBM has acquired stakes in companies in Saudi Arabia and Oman.

- **Ikarus Petroleum Industries Company K.S.C.C.**

  Ikarus is well-established as a leading investor in the energy industry throughout the Middle East, which is rapidly growing as a global center in the production of petrochemicals. Ikarus seeks to achieve geographic and sectoral expansion through direct investments or acquisition of companies operating in the petrochemicals sector in the GCC.

  Ikarus owns a controlling stake in Middle East Chemical Company Limited, which owns 100% of a KSA-based Chlor Alkali producer ("SACHLO"). SACHLO produces caustic soda, chlorine, hydrochloric acid and sodium hypochlorite.

- **Proclad Group Limited**

  Proclad Group has firmly established itself as one of the leading suppliers of integrated solutions to a diverse range of market sectors with manufacturing facilities in the United Arab Emirates, United Kingdom and Europe. With a commitment to providing clients with the complete service, Proclad Group has developed a group of specialist companies through a combination of investment and acquisition and delivering its best products with competitive efficiency.

- **Al Durra National Real Estate Company K.S.C.C.**

  Al Durra was established in 2005 to provide leadership in the expanding real estate industry throughout the GCC countries and the MENA region. In addition, Al Durra's focus will be on completing real estate projects currently under development and benefiting from income-generating properties.

- **Noor Financial Investment Company K.P.S.C.**

  Noor Financial Investment Company was established in Kuwait in 1997 and its shares were listed on the Kuwait Stock Exchange in May 2006. Noor is engaged in investment activities and financial services primarily in Kuwait, the Middle East, Asia, and other emerging markets. Noor offers a full spectrum of innovative and unrivalled investment and financial services which include both advisory and asset management.

Noor aims to implement an exit plan from some of its investments; most notably, Noor has gradually reduced its stake in Meezan Bank's to 35.3% as at 30 September 2021, compared to 49.1% as at 31 December 2017.

- **Eagle Proprietary Investments Limited**

Eagle Investments' strategy aims at continuing its investment activities, providing financial advisory services, and expanding its asset management services. Eagle Investments launched its first fund (US Income-Producing Real Estate) in the United States.

2. Strategic and Financial Investments

National Industries Group Holding aims at ensuring the continued effective management of its Strategic and Financial investments whilst achieving profitable returns through the development of the best investment practices that are appropriate to the given market conditions and the enhancement of investment controls, which are summarized below:

- Maintaining a portfolio of growth stocks along with a portfolio of selected value stocks,
- Maintaining high liquidity of assets, and
- Achieving positive returns on the Group's Strategic and Financial Investments.

3. Financial Performance

- **Reducing Debt Levels and Decreasing the Leverage Ratio**

The Group is targeting, in the medium to long-term, to reduce its leverage ratio to reach (1:1) debt-to-equity from its current level of (1:1.2) as at 30 September 2021, by developing a plan to repay its existing debts.

- **Exit of Non-Core Investments**

The Group aims to exit some of its non-core investments in the next five years in return for favorable returns, with the objective of using the proceeds to reduce the Group's indebtedness. The timing of exits from investments will depend on market conditions, as well as approvals from the concerned parties. The Group does not intend to rush out of any of its non-core investments without achieving appropriate returns.

RISK MANAGEMENT

The scope of implementation of this policy is within the scope of risk management, and includes all departments and systems that are subject to direct compliance and risk management, including internal control systems that include the integrity of financial statements, the efficiency of the Group's operations and adherence to supervisory controls. Risk management encompasses all internal or external factors that lead to risk.

Governance Framework for Risk Management

The Board of Directors is responsible for determining the strategic direction of the Group through the adoption of the Group's strategic plan and defining its risk management strategy as well as Risk Appetite. The risk strategy is translated into a risk management policy that is applied to the Group's executive management as the first line of defense.

The risk management function is an independent function that is directly reporting to the Risk Committee and is the Group's second line of defense, representing the supervisory and guidance role of the senior management and under the supervision of the Board of Directors.

1. Risk Aversion

The Group determines the risk appetite by determining the material amount of the Group's risk appetite.

2. Risk Management Responsibilities

The overall risk management responsibilities are as follows:

- Establish the necessary foundations for identifying, identifying and analyzing types of risks to which the Group is exposed.
- Continuously assess and measure those risks.
- Ensuring that the accepted risk level in the Group is not exceeded and approved by the Board of Directors.
- Take preventive measures and corrective steps to transfer risk to an acceptable level with risk limits.
- Implement risk management strategies and policies established by the Risk Management Committee.
- Develop a risk database and classify it according to its expected effects.
- Implementing plans to deal with risks and procedures.
- Dealing with executive management with regard to day-to-day operations and implementation of risk management plans.
- Continue to monitor these risks through the reporting mechanism submitted to the Risk Management Committee.
- Develop and support risk management culture by creating a common language that helps to understand and identify risks and to organize activities accordingly.
- Review the transactions proposed by the Group with related parties and make appropriate recommendations regarding the risks arising from such transactions to the Board of Directors.

2.1 As part of the Group's risk management policy, the responsibilities for implementing these policies are shared as follows:

2.1.1 Responsibility of the Group's Board of Directors:

- The formation of a risk management committee emanating from the Board dealing with risk management whose role is to develop risk management policies and regulations consistent with the Group's risk appetite.
- Know and manage the strategic risks facing the group.
- Adopt Group strategies, policies and plans in risk and crisis management based on the Risk Management Committee reports.
- Identify and approve acceptable level of risk in the group.
- Oversee the Risk Management Committee to ensure that it monitors the effectiveness of the Group's risk management activities.
- Disclose to shareholders, potential investors and related stakeholders the risks facing the Group and how to deal with them, in accordance with disclosure policies approved for publication.

2.1.2 Responsibility of the Risk Management Unit within the Group:

- Develop the necessary control systems and procedures based on the perception of the risks facing the group.
- Review any risk profile submitted by department managers and prepare a regular report on the risk management framework and risk structure and submit these reports to the Risk Management Committee.
- Identify, develop and monitor the implementation of risk management strategies, plans and procedures to identify, measure, control and monitor the risks inherent in the Group's activities.
- Propose exposure limits for all Group activities, whether exposure to financial risk, operational risk, credit risk, reputational risk or other risks to the Group.

2.1.3 Responsibility of managers of various departments in the Group:

- Identify risks within their responsibilities and activities, and recognize their potential impact on their management, other departments, or the group as a whole.
- Develop performance indicators that allow monitoring of key management activities.
- Designing systems to report deviations in performance in a systematic manner.
- Regular and rapid reporting of any new risks or failure of the applicable supervisory procedures.
- Ensure the continued application and effectiveness of approved risk management tools and procedures.

2.1.4 Responsibility of employees in the Group:

- Realize their responsibilities for individual mistakes.
- Recognize the importance of contributing to the development of risk management tools.
- Regular and rapid reporting of risk management for new risks or failure of supervisory procedures.

3. Classification of Risk Categories

The use of a unified risk classification system in the Group helps to collect risks in a single registry to determine the overall impact on the Group's activities. Risks are usually classified in different ways depending on the nature of the activity and the market, but common definitions can be summarized and disseminated to different types of activities and businesses. The Group has adopted a risk rating system described below which is designed to be as comprehensive as possible:

3.1. Operational risk: The risk of losses arising from the inefficiency or failure of internal processes, individuals and systems or arising as a result of external events.

3.2. Credit risk: The potential loss resulting from the customer's inability or willingness to meet its obligations on time. These risks are compounded by credit concentration.

3.3. Market risk: These are the risks arising from unexpected changes in supply and demand or prices in the markets through which the Group operates.

3.4. Legal risks: These include risks arising from contracts or other arrangements that are not in force through the means available. Examples include inadequate documentation, legal contracts and litigation.

3.5. Strategic risks: These include risks arising from the Group's inability to achieve or implement the Group's specific objectives as well as performance management. This can include, for example: deviations in strategy achievement, planning failure, budget, competition, regulatory environment, economic, joint ventures, and business / new investments.

3.6. Reputational risk: Risks arising from changes in public opinion which affect profits or access to capital. This includes: brand, media relations, group contacts with the public.

3.7. Environmental hazards: These are risks that arise due to incompatibility with local, regional or international environmental laws and regulations. Examples of this are large fires, waste from production processes.

3.8. Financial risk: The risks associated with shortfalls in financial resources and their management. Examples include high cost of capital, labor or materials, deviation in business costs from original estimates.

3.9. Liquidity risk: The risk arises from the Group's inability to meet its financial obligations or emergency funding requirements due to the unavailability of cash.

3.10 Health and safety risks: These are the risks that arise due to incompatibility or lack of application of health and safety procedures, policies or controls. Examples include: loss of time, injury or illness associated with nature, and fire hazards.

3.11 Human resources risk: risks arising from the use of inadequate or qualified human resources. Examples include insufficient qualifications for applicants during the recruitment phase, loss of important staff to competitors as a result of wage increases.

3.12 Political risk: risks arising from the actions of local, regional, international or special interest groups.

3.13 Regulatory risk: risks arising from unexpected changes to domestic, regional, international or regulatory policy. Examples: Changes in regulations governing transport operations, customs tariff changes.

3.14 Technology risk - Information Systems: risks arising from insufficient IT resources or inappropriate use of available resources as well as risks associated with managing technology changes and failure to implement technology. Examples include: unused technology, and failure in operational systems.

3.15 Compliance / Governance Risk: These are the risks associated with deficiencies in working within the framework of general instructions and corporate governance regulations. For example: failure to involve all stakeholders at all levels.

3.16 Pandemic risks: These are the risks associated with the emergence of new and unexpected pandemics. An example of this is the emerging Covid-19 virus.

3.17 Business continuity risks: These are risks related to the inability to respond effectively to concerns / major disruptions / or crises, and the lack of assurance that business interests (operations / people / technology / assets / etc.) are protected from such fears and crises.

4. Risk Management Reports

In order for the risk management program to be effective, periodic assessment and review (at least semi-annual) should be undertaken to determine whether or not the objectives have been achieved. In particular, risk management costs, risk management programs and loss prevention programs must be closely monitored. Loss rates should also be tested to detect any changes in the frequency and size of the loss.

The risk officer should also determine whether or not the Group's risk management policy has been implemented and whether it receives overall cooperation from other departments in the implementation of risk management functions. The Risk Management Department issues several reports, the most important of which are:

- Provide regular reports with relevant information, including recommendations to the Risk Management Committee / Board of Directors and Executive Management that support effective risk management.
- Preparation of a semi-annual report on risk management activity to be presented to the Risk Management Committee for presentation to the Board of Directors. The report details the specific risks and methods of dealing with them and the results of this transaction.
- Include detailed information on risk management regarding its structure, nature of operations, strategy and developments in the Group's annual report.
- Provide the Risk Management Committee and the Board with the necessary consolidated reports describing the risk profile, recommendations on how best to mitigate and mitigate them, as well as the effectiveness of the Group's controls and controls.

The risk reporting procedures should be clear and available to the concerned parties in the group. The report compiler should generally address the following points in the prepared report:

- Control methods, especially the management responsibilities of risk management.
- Procedures used to define risks and how to deal with them through risk management systems.
- Apply priority control systems to manage critical risks.
- Implement follow-up and review systems.
- Any significant shortfall should be recorded by the risk management system or any deficiency in the system itself, as well as the steps already taken to deal with the shortfall.

CORPORATE GOVERNANCE

Corporate governance standards adopted by the Group are as per the requirements set in Module 15 of the Executive Bylaws specified by the CMA Kuwait, amended by Law No. 7 of 2010. The following is a summary of the corporate governance standards:

Rule One: Construct a Balanced Board Composition

The Group's current Board of Directors was elected during the ordinary General Assembly meeting held on 2 May 2019 in line with the corporate governance standards set, where it necessitates that the majority of Board members must be non-executive (8 non-executive Board members), in addition to at least one independent member being elected. The Group's Board of Directors hold diverse expertise from a variety of professional fields related to the Group's activity, where the Board was re-formed during 2018.

Rule Two: Establish Appropriate Roles and Responsibilities

The authorities and responsibilities of the Board of Directors and Executive Management are clearly identified in the approved policies, procedures and charters, where it clearly indicates that no party is permitted an absolute power in order to ensure the accountability of the Board of Directors by the Group's shareholders. The Board holds liable the ultimate responsibility in managing the Group, even when forming committees or delegating to other entities or individuals to perform work on their behalf.

Formation of Specialized Committees to Promote Independence

The Board has formed specialized committees to assist in performing its functions effectively according to the needs and nature of the Group, to ensure the sound application of all its corporate governance standards and requirements, which includes the Audit Committee, Risk Committee and the Nomination and Remuneration Committee, in accordance with the requirements of the CMA. The Board of Directors have reviewed all regulations and working procedures of all existing committees.

Functions of the Audit Committee

- Review the periodic financial statements before submission to the Board of Directors, as well as providing an opinion or recommendation to the Board, with the aim of ensuring the fairness and transparency of financial reporting.
- Recommend the appointment, reappointment or change of external auditors to the Board, and determine their fees.
- Follow up on external auditors and ensure they provide the required auditing services to the Group.
- Review the external auditors' notes on the financial statements of the Group and what has been accomplished with respect to notes.
- Assess the adequacy of internal control systems within the Group and to prepare a report containing the opinions and recommendations of the Committee in this regard.
- Technical supervision of the Group's outsourced internal audit consultant, to verify its effectiveness in carrying out specific tasks and actions by the Board of Directors.
- Recommend the appointment, transfer, removal and performance evaluation of the outsourced internal audit consultant.
- Review and approve the audit plans proposed by the internal auditor, as well as provide feedback.
- Review the results of the internal audit reports and ensure that corrective actions have been taken on the observations contained in the reports.

- Review the results of the reports of regulatory bodies and ensure that the necessary measures have been taken.
- Ensure the Group's compliance to laws and policies, regulations and instructions.
- Hold periodic meetings (quarterly), 4 times during the year and whenever necessary, and ensure the documentation of minutes of meeting through the Secretary of the committee.

Members of the Audit Committee

Members	Position
Mr. AbdulAziz Ibrahim Al-Rabiaah	Chairman
Mr. Mohammed AbdulMohsen Al-Asfour	Member
Dr. AbdulAziz Rashed Al-Rashed	Member
Mr. Hussam Fawzi Al-Kharafi	Member

Functions of the Risk Committee

- Prepare and review risk management policies and strategies adopted by the Board of Directors, ensure their implementation and confirm that such policies and strategies align with the nature and size of the Group's activities.
- Ensure availability of resources and adequacy of risk management systems.
- Evaluate systems and mechanisms for identifying, measuring and monitoring various types of risk that the Group may be exposed to in order to identify deficiencies.
- Assist the Board of Directors in identifying and assessing the acceptable level of risk exposure for the Group, and ensure the Group does not exceed level approved by the Board.
- Review the organizational structure of risk management and make recommendations prior to adoption from the Board.
- Ensure the independence of risk management personnel on activities that expose the Group to risks.
- Ensure risk management personnel have full understanding of risks surrounding the Group, and work towards raising awareness and educating employees on risk exposures.
- Discuss periodic reports submitted by risk management on the nature of the risks the Group is exposed to and present reports to the Board.
- Review issues raised by the Audit Committee that may impact the Group's risk management.
- Hold periodic meetings, 4 times during the year and whenever necessary, and ensure the documentation of minutes of meeting through the Secretary of the committee.

Members of the Risk Committee

Members	Position
Mrs. Maha Khaled Al-Ghunaim	Chairman
Mr. Ali Murad Youssef Behbehani	Member
Mr. Hussam Fawzi Al-Kharafi	Member
Mr. Mohammed AbdulMohsen Al-Asfour	Member

Functions of the Nomination and Remuneration Committee

- Recommend the nomination or re-nomination to the Board and Executive Management.

- Establish a clear policy for the remuneration of the Board and Executive Management, conduct an annual review of the required skills for Board membership, as well as attract applicants to fill executive positions when necessary and examine and review such applications; classify remuneration into segments to be awarded to employees, such as fixed bonuses, performance-related bonuses, bonus shares and end-of-service bonuses.
- Ensure the independence of an independent Board member is not denied.
- Preparing a governance report on an annual basis that includes the total remuneration granted to members of the Board of Directors, executive management, and managers, whether in cash, benefits, regardless the nature of those benefits, directly or indirectly, through the company or its subsidiaries.
- Deal with tasks and responsibilities related to the selection of qualified members to the Board and Executive Management while defining the framework for the evaluation and remuneration of their performance; assess and evaluate Board members and the Executive Management, in addition to provide required training courses during the year for the development of Board members.

Members of the Nomination and Remuneration Committee

Members	Position
Mr. Sulaiman Hamad Al-Dalali	Chairman
Mr. Mohammed AbdulMohsen Al-Asfour	Member
Mr. Salah Khaled Al-Fulaij	Member

Rule Three: Recruit Highly Qualified Candidates for the Members of the Board of Directors and the Executive Management

The Nomination and Remuneration Committee is formed by 3 members of the Board of Directors, where at least one member is required to be an independent Board member. The Committee's Chairman must be a member of the Non-Executive Members of the Board of Directors. Members with the appropriate professional experience related to human resources and management were selected in accordance with the nature of the Group's work in order to carry out all purposes relating to the selection of new members of the Board and the Executive Management.

Rule Four: Safeguard the Integrity of Financial Reporting

The reliability of a company's financial statements is one of the most important indicators of integrity and credibility with respect to the presentation of its financial position, and which increases investors' confidence in relation to the information provided and allows shareholders to exercise their rights. The Group is keen on ensuring the integrity of its financial statements through the supervision and auditing of accounts, such as by the Audit Committee, and verify the independence and impartiality of the external auditor. The internal audit function of the Group is completely outsourced to an external consultant who reports directly to the Audit Committee.

Rule Five: Apply Sound Risk Management and Internal Audit Systems

The Group has an independent risk management department that acts to measure, monitor and limit all kinds of risk exposure, in accordance with the effective risk management systems and procedures set, and to ensure the Group is able to perform its main functions of measuring and containing all risks facing it. These processes are carried out continuously and must be reviewed periodically, and are amended when necessary.

The internal audit function aims to improve the integrity and accuracy of financial statements, in addition to protecting the Group's assets and rights of stakeholders and provide for the relevant regulatory requirements. The internal audit function and risk management unit operates appropriately and independently. The Board's audit committee is responsible for assisting the Board in overseeing the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Group, as well as the relationship of the Group with external auditors.

Rule Six: Promote Code of Conduct and Ethical Standards

The Executive Management has formulated charters that include the standards and determinants of professional conduct and ethical values at the Group. The Group has separate Codes of Professional Conduct for each of the Board's members, executives, managers and employees. It includes standards and guidelines for professional conduct and ethical values that address the principle of commitment for each of the Board members, executives, managers and employees towards complying with all laws, the Group and its Shareholders and the interest of all Stakeholders – not the interest of a specific group only.

Rule Seven: Ensure Timely and High-Quality Disclosure and Transparency

The Board of Directors are obliged to develop mechanisms for a quality, and transparent disclosure to be in line with the relevant laws and regulations issued by the Group's law or CMA regarding that matter. Those disclosures are classified into either a Group's disclosure or Board of Directors and executive management disclosures, where the disclosures log should be updated regularly.

Disclosures of board members and executive management are updated regularly in a register, that register is made available for shareholders of the company, without any fee or charge, the Group is also committed to update this log data periodically to reflect the true situation of the related involved.

The Group has a unit that meant to manage the investors' affairs, this unit is responsible for providing data and information and reports required for potential investors, are providing those investors with any data and information and reports accurately and timely.

The Group has a dedicated section on the website for Corporate Governance, where all information is displayed.

Rule Eight: Respect the Rights of Shareholders

The Board and Executive Management shall guarantee Shareholders' rights in exercising their privileges to a significant extent of fairness and equality, ensuring equal dealing between all Shareholders, protection against breach of rights, as well as protecting Shareholders' capital from misuse by the Group's managers, Board members and major Shareholders. The Group shall deal with Shareholders with the same class of shares equally and without any discrimination. Under no circumstance shall the Group withhold any of the Shareholders' rights or establish any standards that discriminate between groups of Shareholders, so as not to harm the interests of the Group or work in contradiction to the laws and regulations set.

The Group has a contract with the Kuwait Clearing Company ("KCC"), where KCC creates a registry contains the investor name, nationality, residence, and the number of shares owned by each of them, any investor may request the KCC to provide the data from this register.

The Board of Directors the shareholders to the meet within the three months that follow the end of the financial year, the time and the place is to be determined according to the company's bylaws. The BOD may invite this AGM to meet whenever necessary.

Rule Nine: Recognize the Roles of Stakeholders

The Group's Board and Executive Management are committed to protecting the rights of Stakeholders as part of its Corporate Governance framework. The policy of protecting Stakeholders has been developed in such a way that ensures the protection and acknowledgement of the rights of Stakeholders. The Group's Board is responsible for establishing and updating the standards of the protection of Stakeholders' rights. In addition, the Group has systems and policies in place that safeguard the rights of Stakeholders, including dealings with Board members and Related Parties that are subject to the same conditions as the Group with various Stakeholders, without any discrimination or preferential treatment.

Rule Ten: Encourage and Enhance Performance

The Group is responsible for the continuous training, development and any other training-related aspect of Board members and the Executive Management, accomplished through the setting up of induction programs for newly appointed members that ensure they have the proper understanding of the Group's functions and operations. These offered programs would revolve around the Group's strategy and objectives, the financial and operational aspect of all Group activities, and the legal and supervisory obligations of the Board and the Group.

Rule Eleven: Focus on the Importance of Corporate Social Responsibility

The company is keen to develop its societal development and strategy with the social, economic and environmental needs and utility results to the community and the company.

"Al-Mabarra" was able despite her upbringing – since 2007 to support many charitable projects that reinforce diverse national belonging to the country and appoint needy nationals and expatriates, both on the level of education or health or social, economic or other levels.

MANAGEMENT

Board of Directors

The Group's Board of Directors consists of 9 elected members. Each member is elected during the shareholders' General Assembly meeting by secret ballot. The membership of the Board shall continue for a term of three years and is renewable. Board Members possess the authority to manage the Group and carry out all acts required in accordance with its business objectives, and shall not be limited except as provided by the laws and resolutions of the General Assembly.

The meeting of the Board of Directors shall not be valid unless attended by half of the members provided that the number of attendees shall not be less than five. The Board of Directors shall meet at least six times during one year, and more times may be agreed upon. The Board meetings are only valid when the majority of its members are present. Decisions of the Board shall be issued when a majority of its members are present.

The table below presents the members of the Group's Board of Directors and the corresponding shareholding percentage, as of the date of this Prospectus:

Board Member Name	Post	No. of Shares	Ownership %
Mr. Saad Mohammed Al Saad	Chairman	8,882,695	0.592%
Mr. Sulaiman Hamad Al-Dalali	Deputy Chairman	193,942	0.013%
Mr. AbdulAziz Ibrahim Al-Rabiaah	Member	455,391	0.030%
Mr. Ali Murad Youssef Behbehani	Member	5,361,673	0.358%
Mr. Hussam Fawzi Al-Kharafi	Member	105,053	0.007%
Dr. AbdulAziz Rashed Al-Rashed	Member	27,921	0.002%
Mr. Mohammed AbdulMohsen Al-Asfour	Member	3	0.000%
Mrs. Maha Khaled Al-Ghunaim	Member	264,002	0.018%
Mr. Salah Khaled Al-Fulaij	Member	0	0.000%

The following is a brief biography of each of the Board members:

Mr. Saad Mohammed Al Saad

Chairman, Board of Directors

- Appointment Date: 2004
- Academic Qualifications: Bachelor's degree in Commerce from Cairo University, Egypt

Current posts:

- Board member, Egypt Kuwait Holding Company since 1999

Previous posts:

- Chairman and Managing Director, Contracting & Marine Services Company
- Chairman, Kuwait Accountants and Auditors Association
- Vice Chairman, Kuwait National Petroleum Company
- Board member, Supreme Council for Planning and Development

- Board member, Kuwait Building & Construction Company
- Board member, National Bank of Kuwait
- Board member, Gulf Cable and Electrical Industries Company
- Board member, Kuwait Aviation Fueling Company (KAFCO)
- Board member, Kuwait Cement Company
- Board member, Delta Insurance Company – Cairo, Egypt
- Board member, Saudi Sand Lime Bricks & Build M. Company – Riyadh, Saudi Arabia

Mr. Sulaiman Hamad Al-Dalali

Deputy Chairman, Board of Directors

- Appointment Date: 2004
- Academic Qualifications: Bachelor's degree in Commerce from Cairo University, Egypt

Current posts:

- Vice Chairman, Kuwait Reinsurance Company

Previous posts:

- Chairman, Al-Ahlia Insurance Company
- Board member, Burgan Insurance Company – Lebanon
- Board member, Arab Life and Accident Insurance Company – Jordan
- Board member, Trade Union Co-Operative Insurance – Saudi Arabia
- Board member, Al Watania Insurance Company – Sana'a, Yemen.
- Chairman and Managing Director, Gulf Insurance Company
- Assistant Under Secretary, Kuwait University
- Vice Chairman and CEO of the establishment of transactions of forward sale of companies' shares

Mr. AbdulAziz Al-Rabiaah

Member, Board of Directors

- Appointment Date: 1979
- Academic Qualifications: Bachelor's degree in Accounting from Kuwait University

Current posts:

- Chairman, National Industries Company

Previous posts:

- Vice Chairman, National Industries Company
- General Manager, Mohammed Abdullah Al-Rabia & Partners Company
- Board member, Kuwait Cement Company

- Board member, Kuwait Pipe Industries and Oil Services Company
- Assistant Professor at Kuwait University

Mr. Ali Murad Youssef Behbehani

Member, Board of Directors

- Appointment Date: 1996
- Academic Qualifications: Bachelor's degree English Language and Literature and Education from Kuwait University

Current posts:

- Chairman, Morad Yousuf Behbehani Group
- Chairman, Kuwait Insurance Company
- Vice Chairman, Gulf Bank
- Board member, Kuwait Danish Dairy Company

Previous posts:

- Board member, Kuwait National Cinema Company
- Board member, Kuwait Pipe Industries and Oil Services Company

Mr. Hussam Fawzi Al-Kharafi

Member, Board of Directors

- Appointment Date: 2007
- Academic Qualifications:

- Master's degree in Public Policy in Islam from Hamad bin Khalif University in Qatar
- Bachelor's degree in Civil Engineering from Kuwait University

Current posts:

- Member of the Executive Committee and Head of Real Estate and Urban Development of Mohamed AbdulMohsen Al-Kharafi and Sons Group
- Chairman, Mak Investments Group Company – Port Ghalib, Egypt
- Board member, Egypt Kuwait Holding Company

Previous posts:

- Chairman, Noor Financial Investment Company
- Board member, Boubyan Bank
- Board member, Al-Ahlia Insurance Company
- Board member, National Real Estate Company
- Board member, Mabanee Company

Dr. AbdulAziz Rashed Al-Rashed

Member, Board of Directors

- Appointment Date: 2016
- Academic Qualifications: PhD in Electrical Engineering from the University of Wisconsin – USA

Current posts:

- Chairman, Kuwait Drilling Company
- Board member, Contracting & Marine Services Company

Mr. Mohammed AbdulMohsen Al-Asfour

Member, Board of Directors - Independent

- Appointment Date: 2013
- Academic Qualifications: Bachelor's degree in Business Administration from Cairo University

Current posts:

- Vice Chairman and CEO, Kuwait Building Materials Manufacturing Company
- Vice Chairman, Privatization Holding Company

Previous posts:

- Minister of State for Housing Affairs.
- General Manager, Kuwait Institute for Scientific Research (KISR).
- Secretary General of Kuwait University.
- Board member, Public Authority for Housing Welfare.
- Vice President of Kuwait Ports Authority.
- Vice Chairman of National Cleaning Company.
- Vice Chairman, Planning & Engineering of Arab Petroleum Pipelines Company (SUMED) – Egypt.

Mrs. Maha Khaled Al-Ghunaim

Member, Board of Directors

- Appointment Date: 1996
- Academic Qualifications: Bachelor's degree in Mathematics from San Francisco State University – California, USA

Previous posts:

- Co-Founder / Vice Chairman and CEO, Global Investment House
- Board member, Dar Al Tamleek – Riyadh, Saudi Arabia
- Vice Chairman, National Ranges Company "Mayadeen"
- Vice Chairman, Shurooq Investment Services Company

- Board member, Kuwait University – College of Business Administration
- Board member, Union of Investment Companies – Kuwait
- Member, Financial & Investment Committee at the Kuwait Chamber of Commerce and Industry

Mr. Salah Khaled Al-Fulaij

Member, Board of Directors

- Appointment Date: 1995
- Academic Qualifications: Bachelor's degree in Business Administration and Economics from Emporia State University, USA

Previous posts:

- Vice President, Khalid Al-Fulaij Sons Company
- Vice President, Sulaiman Al-Fulaij Trading & Contracting Company
- Deputy Chairman, Gulf Bank

Directors' Remuneration

in KD '000	**2020***	**2019****
Directors' Remuneration	480	590

** The distribution of the remuneration to the members of the Board of Directors for the fiscal year ending on 31 December 2020 was approved in the amount of 480 thousand Kuwaiti dinars at the general assembly meeting held on 29 April 2021.*

*** The distribution of the remuneration to the members of the Board of Directors for the fiscal year ending on 31 December 2019 was approved in the amount of 590 thousand Kuwaiti dinars at the general assembly meeting held on 30 April 2020.*

Board's Confirmation of Financial Statements

The financial results for years 2016, 2017, 2018, 2019 and 2020 were approved by the Annual General Meeting on 23 May 2017, 10 May 2018, 30 April 2020 and 29 April 2021 respectively. The Group's Board of Directors are obliged to present the financial results of the Group in accordance with the Companies Law No. 1 of 2016 and its subsequent amendments, which the Board of Directors accepts responsibility.

Brief description of transactions carried out or to be carried out by Related Parties:

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group or entities controlled, jointly controlled or significantly influenced by related parties. The terms and pricing policies of such contracts and transactions are approved by the Group's management. The following table presents the details of the key transactions that have been carried out by related parties. The Group does not expect further transactions to be carried out by related parties in the future that will have material financial impact other than within the usual course of business.

in KD '000	As at 30 September	
	2021	**2020**
Due from associates	7,173	8,247
Due from top management	70	70
Due from other related parties	339	1,698
Due to associates	**20**	**20**
Due to other related parties	111	265
Purchases of raw material- from associates	670	1,222
Compensation of key management personnel of the Group:		
Short term employee benefits	2,701	3,036
End of Services benefits	106	122
Board of Directors' remuneration	480	-
Cost of share-based payment	-	260
Total compensation of key management personnel of the Group	**3,287**	**3,418**

Transactions between the Group and the Board of Directors which involves a personal profit

There are no transactions between the Group and any member of the Board of Directors in which a personal profit has been gained within the normal course of business. Members of the Board of Directors and their families are customers of the Group during the regular course of business; however, no contracts exists between them.

Executive Management

The National Industries Group Holding is managed by an administrative team responsible for the day-to-day supervision and direction of the Group's operations, particularly with respect to ensuring compliance with the Group's strategy, risk management, as well as safeguarding the independence of functions. The executive management performs several tasks, which include the reviewal and discussion of proposals provided by the Board of Directors, implementation of internal policies and regulations adopted by the Board, preparation of periodic reports (financial and non-financial), and preparation of internal auditing and risk management systems and ensuring their efficiency and viability.

Name	Position	Years of Experience in the Group*	Total Years of Experience*
Mr. Ahmad Mohammed Hassan	Chief Executive Officer	44	44
Mr. Reyadh Salem Ali Al-Edrissi	Deputy CEO for Investments and Mega Projects	22	26
Mr. Faisal AbdulAziz Al-Nassar	Deputy CEO for Finance and Administration	16	23
Mr. Mubasher Hussain Sheikh, FCCA	Chief Financial Officer	20	26
Mr. Khalid Ahmad Al Saad	Direct Investment Executive Manager	10	14
Mr. Fadi Ali Abdel Salam, CPA, CFE, CABM	Group Risk and Compliance Manager	3	23

** The number of years of experience has been rounded to the nearest year.*

Below is a brief biography of each member of the Executive Management team:

Mr. Ahmad Mohammed Hassan

Chief Executive Officer (CEO)

Mr. Hassan first joined the Group in 1977 as the Finance Manager, and was elected by the Board of Directors for the role of Chief Executive Officer in 2013. During Mr. Hassan's extensive tenure at the Group, he has assumed several responsibilities for overseeing the Group's finances and administrative work to ensure the steady growth of the Group and its profitability. Mr. Hassan also currently holds posts at the following companies:

- National Industries Company – Board Member
- Proclad Group Limited (UAE) – Board Member
- BI Group (UK) – Board Member

Mr. Hassan holds a Bachelor's degree in Accounting from Ain Shams University – Egypt.

Mr. Reyadh Salem Ali Al-Edrissi

Deputy Chief Executive Officer for Investments and Mega Projects

Mr. Al-Edrissi joined the Group in 1999 as an Executive Manager of Direct Investment and was later promoted to Deputy CEO for Investments and Mega Projects in 2014. Mr. Al-Edrissi currently holds the following posts:

- Meezan Bank (Pakistan) – Chairman
- Ikarus Petroleum Industries – Chairman and CEO
- IT Partners Information Technology Company – Chairman
- Middle East Complex for Engineering, Electronics & Heavy Industries Company (Jordan) – Chairman
- Privatization Holding Company – Board Member
- Noor Financial Investment Company – Board Member
- Markaz Energy Fund – Advisory Board Member
- Kuwait Investment Company – Executive Committee Member for Bunyah Fund
- Zouk Ventures Limited (Clean Tech I & II) – Advisory Board Member
- Sahara International Petrochemical Company (Previously known as Saudi International Petrochemical Company ("Sipchem")) – Board Member

Mr. Al-Edrissi holds a Bachelor's degree in Chemical Engineering from Newcastle Upon Tyne University - UK, and a Master's degree in Chemical Engineering from Kuwait University.

Mr. Faisal AbdulAziz Al-Nassar

Deputy Chief Executive Officer for Finance and Administration

Mr. Al-Nassar joined the Group in 2005 as an Executive Manager of Corporate Affairs and was promoted to Deputy CEO for Finance and Administration in 2014. Currently, Mr. Al-Nassar holds the following posts:

- Al Durra National Real Estate Company – Chairman and CEO
- Shorfat al Safwa (KSA) – Chairman
- Durrat Alshameya Investment (KSA) – Chairman
- Noor Al Salhiya Real Estate – Chairman
- Abu Dhabi Marina Real Estate Investment Company (UAE) – Vice Chairman
- Salbookh Trading Company – Vice Chairman
- Meezan Bank (Pakistan) – Vice Chairman
- Proclad Group Limited (UAE) – Board Member
- Noor Financial Investment Company – Board Member
- Al Ruwad Real Estate Company – Board Member

Mr. Al-Nassar holds a Bachelor's degree in Commerce from Kuwait University.

Mr. Mubasher Hussain Sheikh, FCCA

Chief Financial Officer (CFO)

Mr. Sheikh joined the Group in 2001 as a Managerial Accounting and Financial Analysis Manager, before being promoted to Group Financial Controller in 2008, and assuming the role of CFO since 2015. Mr. Sheikh currently holds the following positions:

- K-Electric Limited (Pakistan) – Board Member
- Ikarus Petroleum Industries – Board Member
- Proclad Group Limited (UAE) – Board Member
- BI Group (UK) – Board Member

Mr. Sheikh holds a Bachelor's degree in Mathematics and Statistics from the University of Punjab – Pakistan and is a fellow of Chartered Certified Accountant, UK.

Mr. Khalid Ahmad Al Saad

Direct Investment Executive Manager

Mr. Al Saad joined NIGH in 2011 as a Direct Investment Manager, where he was later promoted to be the Executive Manager for Direct Investment. Mr. Al Saad currently also holds the following positions:

- Combined National Industries Holding Company for Energy – Chairman
- Middle East Chemicals Company – Chairman
- Ikarus Petroleum Industries Company – Vice Chairman
- Bayan Holding Company – Board Member
- Bahrain Bay Utilities Company (Bahrain) – Board Member

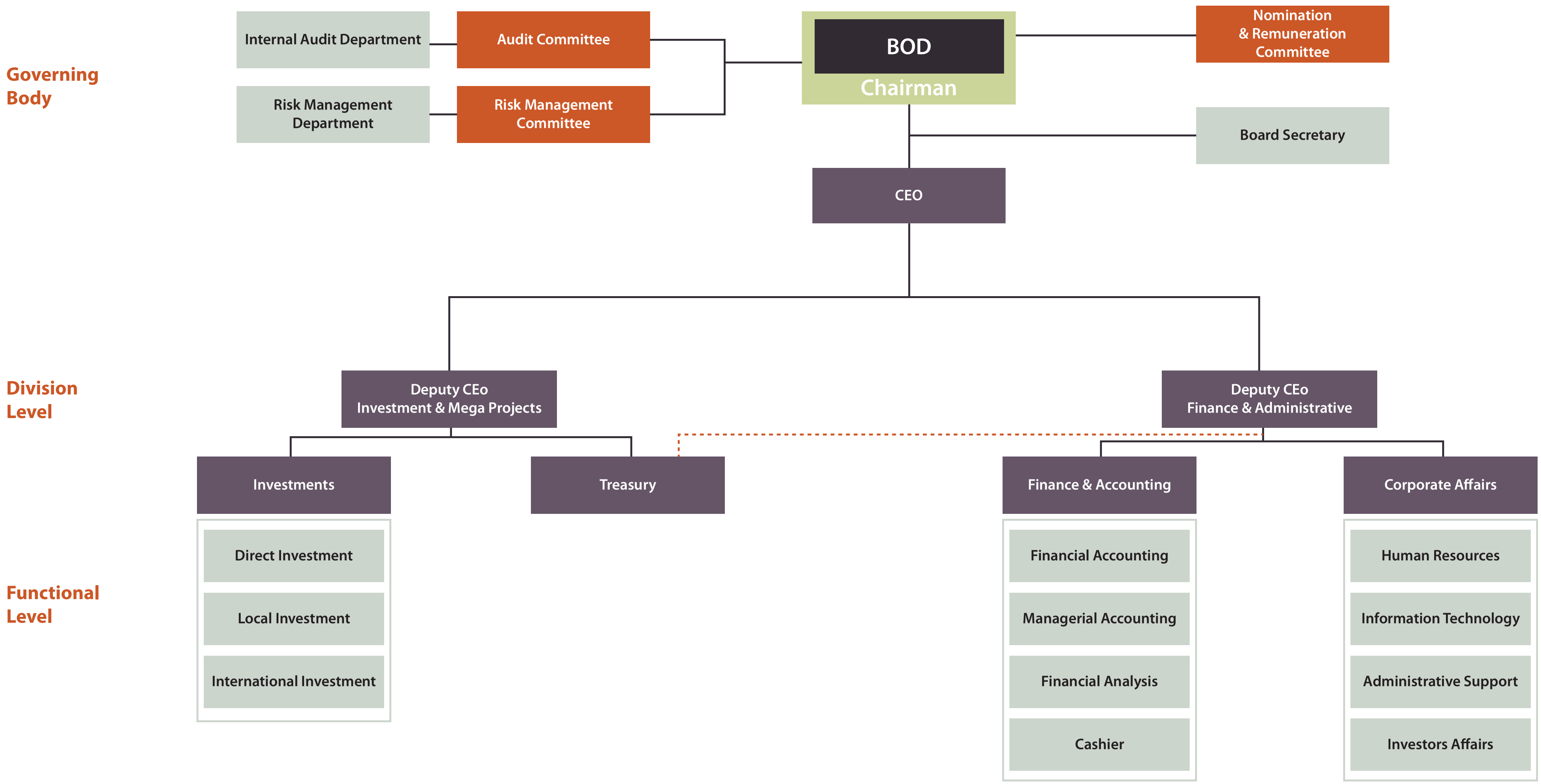
Mr. Fadi Ali Abdel Salam, CPA, CFE, CABM

Group Risk and Compliance Manager

Mr. Abdel Salam joined the NIGH in early 2019 as the Group Risk and Compliance Manager. His previous experiences include working in auditing for a period of 7 years, as well as working within the financial and investments sector for 16 years.

Mr. Abdel Salam holds a Bachelor's degree in Finance and Banking Science from Yarmouk University – Jordan and is a Certified Public Accountant (CPA). Mr. Fadi is a Certified Fraud Examiner (CFE) and is a Certified Associate Business Manager (CABM).

ORGANIZATION STRUCTURE



CAPITALIZATION AND BORROWINGS

The table below presents the Group's capitalization as at 30 September 2021, in addition to the pro-forma figures post the Capital Increase:

KD Thousands	**As at 30 September 2021 (Before Issuance)**	**As at 30 September 2021 (Post Issuance)**
Liabilities		
Due to banks	13,806	13,806
Accounts payable and other liabilities	75,041	75,041
Borrowings and bonds	623,402	623,402
Provisions	14,793	14,793
Total Liabilities	**727,042**	**727,042**
Equity		
Share capital	149,924	202,397
Share premium	122,962	175,435
Treasury shares	(23,406)	(23,406)
Other components of equity	28,008	28,008
Cumulative changes in fair value	18,295	18,295
Retained earnings	101,035	101,035
Equity attributable to owners of the Parent Company	**396,818**	**501,764**
Non-controlling interests	146,947	146,947
Total Equity	**543,765**	**648,711**
Total Liabilities and Equity	**1,270,807**	**1,375,753**

PROFIT DISTRIBUTION BY THE ISSUER

The table below shows profit distribution by the Group since 2016:

Dividends Distribution	**2016**	**2017**	**2018**	**2019**	**2020**
Date of Approval	23-May-17	10-May-18	02-May-19	30-Apr-20	29-Apr-21
Bonus Shares (%)	-	-	5%	-	5%
Cash Dividend Paid (in KD) 3	-	13,250,570	15,900,534	13,913,098	-
Cash Dividend (Fils/Share)	-	10 fils	12 fils	10 fils	-

SELECTED FINANCIAL INFORMATION

The following information has been extracted from the financial statements of the Company and should be read in conjunction with the respective financial statements along with accompanying disclosures.

Consolidated Statement of Financial Position

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Assets							
Bank balances and cash	33,696	38,436	32,077	31,798	50,011	33,052	60,456
Short-term deposits	9,224	8,020	9,136	18,189	9,394	11,439	34,077
Wakala and Sukuk investments	1,164	1,153	1,153	1,000	-	-	-
Assets classified as held for sale	-	-	-	-	6,312	8,370	4,294
Accounts receivable and other assets	61,569	95,907	49,453	50,776	56,918	55,968	58,236
Inventories	32,434	33,194	36,587	35,948	34,819	40,152	36,500
Financial assets at FVTPL	76,782	74,780	364,713	410,414	313,472	314,186	393,171
Financial assets at FVOCI	-	-	216,485	203,932	230,918	234,049	191,190
Available for sale investments	539,053	525,202	-	-	-	-	-
Right of use of leased assets	-	-	-	6,532	9,642	6,108	8,121
Investment properties	64,294	66,121	76,857	60,445	60,260	57,399	56,928
Investment in associates	350,540	336,045	317,462	324,781	315,602	316,717	328,410
Property, plant and equipment	70,837	72,314	88,876	91,177	90,144	90,779	89,349
Goodwill and other intangible assets	14,025	14,121	9,925	9,552	9,847	9,735	10,075
Total Assets	**1,253,618**	**1,265,293**	**1,202,724**	**1,244,544**	**1,187,339**	**1,177,954**	**1,270,807**
Liabilities							
Due to banks	21,186	22,315	23,009	23,969	23,695	24,439	13,806
Accounts payable and other liabilities	45,482	48,391	58,677	69,190	72,936	73,737	75,041
Borrowings and bonds	674,926	673,315	611,117	628,603	612,190	604,183	623,402
Provisions	14,645	15,157	13,573	14,113	15,296	14,738	14,793
Total Liabilities	**756,239**	**759,178**	**706,376**	**735,875**	**724,117**	**717,097**	**727,042**
Equity							
Share capital	135,985	135,985	135,985	142,784	142,784	142,784	149,924
Share premium	122,962	122,962	122,962	122,962	122,962	122,962	122,962
Treasury shares	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)	(23,406)
Other components of equity	31,526	30,457	23,827	32,260	32,816	32,616	28,008
Cumulative changes in fair value	108,729	103,959	21,679	20,938	36,469	35,698	18,295
Retained earnings	(8,495)	13,000	78,608	89,434	22,253	21,501	101,035
Equity attributable to owners of the Parent Company	**360,332**	**375,988**	**352,686**	**378,003**	**326,909**	**325,186**	**396,818**
Non-controlling interests	137,047	130,127	143,662	130,666	136,313	135,671	146,947
Total Equity	**497,379**	**506,115**	**496,348**	**508,669**	**463,222**	**460,857**	**543,765**
Total Liabilities and Equity	**1,253,618**	**1,265,293**	**1,202,724**	**1,244,544**	**1,187,339**	**1,177,954**	**1,270,807**

Consolidated Statement of Profit or Loss

	For the year ended 31 December					For the period ended 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Sales	110,259	110,510	125,406	132,060	109,899	74,999	80,396
Cost of Sales	(89,153)	(90,441)	(103,331)	(110,048)	(91,613)	(64,427)	(65,015)
Gross Profit	**21,106**	**20,069**	**22,075**	**22,012**	**18,286**	**10,572**	**15,381**
Income from investments	13,769	34,570	44,683	90,626	(18,307)	(28,061)	100,670
Changes in fair value of investment properties	(3,246)	(3,455)	34	(729)	(2,243)	(3,799)	-
Share of results of associates	21,177	19,035	15,182	15,767	5,517	7,844	19,641
Loss on disposal of indirect subsidiaries	-	-	-	-	-	-	1,364
Gain on disposal of associates	-	17,447	4,207	1,576	-	-	22
Realized (loss)/gain on disposal of investment properties	(852)	-	-	-	350	-	(18)
Rental income	2,301	1,859	2,753	2,477	1,950	1,503	1,567
Interest and other income	3,201	4,760	21,994	3,074	3,382	2,146	2,316
Distribution costs	(6,924)	(7,384)	(8,602)	(8,353)	(7,600)	(5,627)	(6,793)
General, administrative and other expenses	(22,447)	(23,664)	(25,404)	(25,569)	(23,129)	(16,567)	(17,798)
(Loss)/gain on foreign currency exchange	(1,537)	1,540	(855)	(1,065)	(765)	(1,193)	217
Provision for cost of gas usage for previous years	(2,700)	-	-	-	-	-	-
	23,848	**64,777**	**76,067**	**99,816**	**(22,559)**	**(33,182)**	**116,569**
Finance costs	(28,188)	(31,412)	(32,693)	(30,745)	(23,761)	(18,148)	(15,883)
Impairment in value of goodwill and other intangible assets	-	-	(3,634)	(945)	-	-	-
Impairment in value of available for sale investments	(18,696)	(5,247)	-	(530)	-	-	-
Impairment in value of receivables and other assets	(1,056)	(246)	(1,280)	(790)	(834)	(587)	(3,405)
Impairment in value of investment in associates	-	-	-	(7,748)	-	-	(4,917)
Impairment in value of assets classified as held for sale	-	-	-	-	-	-	(1,581)
Profit/(loss) before foreign taxation	**(24,092)**	**27,872**	**38,460**	**59,058**	**(47,154)**	**(51,917)**	**90,783**
Foreign taxation	292	(488)	(1,250)	(703)	1,565	(152)	(449)
Profit/(loss) before KFAS, Zakat, NLST and Directors' remuneration	**(23,800)**	**27,384**	**37,210**	**58,355**	**(45,589)**	**(52,069)**	**90,334**
KFAS, Zakat and NLST	(95)	(717)	(1,263)	(2,452)	(173)	(95)	(4,465)
Director's remuneration	-	(480)	(480)	(590)	-	-	(480)
Profit/(loss) for the year from continued operations	**(23,895)**	**26,187**	**35,467**	**55,313**	**(45,762)**	**(52,164)**	**85,389**
Loss for the year from discontinued operations	-	-	-	(1,955)	(900)	-	-
Profit/(loss) for the year	**(23,895)**	**26,187**	**35,467**	**53,358**	**(46,662)**	**(52,164)**	**85,389**
Profit for the year attributable to:							
Owners of the Parent Company	(24,192)	24,160	19,841	46,353	(52,213)	(55,111)	69,652
Non-controlling interests	297	2,027	15,626	7,005	5,551	2,947	15,737
	(23,895)	**26,187**	**35,467**	**53,358**	**(46,662)**	**(52,164)**	**85,389**
Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)	**(18.3)**	**18.2**	**14.3**	**33.3**	**(37.5)**	**(37.7)**	**47.6**

Consolidated Statement of Cash Flows

	For the year ended 31 December					For the period ended 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Net cash from operating activities	34,334	19,971	80,401	37,222	68,130	56,375	13,155
Net cash from investing activities	17,138	15,371	4,393	4,316	4,060	(3,903)	32,851
Net cash used in financing activities	(69,680)	(32,800)	(90,534)	(35,435)	(60,760)	(56,603)	(5,656)
Net increase in cash and cash equivalents	**(18,208)**	**2,542**	**(5,740)**	**6,103**	**11,430**	**(4,131)**	**40,350**
Net cash on assets held for sale	-	-	-	-	-	(15)	-
Translation difference	(187)	(29)	16	(4)	(11)	(29)	(58)
	(18,395)	2,513	(5,724)	6,099	11,419	(4,175)	40,292
Cash and cash equivalents at beginning of the year/period	39,804	21,409	23,922	18,198	23,598	23,598	34,454
Cash and cash equivalents attributable to the disposed group and indirect subsidiaries	-	-	-	(699)	(563)	-	-
Cash and cash equivalents at end of the year/period	**21,409**	**23,922**	**18,198**	**23,598**	**34,454**	**19,423**	**74,746**

Select Ratios

	For the year ended 31 December					For the period ended 30 September	
	2016	2017	2018	2019	2020	2020	2021
Profitability (%)							
Return on Average Assets (ROAA)[1]	-1.9%	2.1%	2.9%	4.4%	-3.8%	-4.3%	6.9%
Return on Average Equity (ROAE)[2]	-4.7%	5.2%	7.1%	10.6%	-9.6%	-10.8%	0% .17
Gross Margin[3]	14.4%	10.9%	10.3%	9.0%	18.2%	19.4%	7.5%
Net Margin[4]	-16.3%	14.2%	16.6%	21.8%	-46.4%	-95.5%	41.5%
Leverage (%)							
Debt / Equity[5]	140.0%	137.4%	127.8%	128.3%	137.3%	136.4%	117.2%
Total Liabilities / Total Equity[6]	152.0%	150.0%	142.3%	144.7%	156.3%	155.6%	133.7%
Liquidity (%)							
Cash Ratio[7]	8.7%	7.2%	9.2%	7.8%	10.9%	8.1%	17.1%
Current Ratio[8]	89.7%	67.5%	95.0%	78.4%	75.8%	77.2%	93.6%
Share Ratios							
Earnings per share (fils)[9]	-18.3	18.2	14.3	33.3	-37.5	-37.7	47.6
Average Price / Earnings per share (x)[10]	-6.4	7.5	10.8	6.0	-5.5	-5.4	4.4
Book Value (fils)[11]	265.0	276.5	259.4	264.7	229.0	227.7	264.7
Cash dividends / par value %[12]	-	10.0%	12.0%	10.0%	-	-	-
Dividend yield % [13]	-	6.7%	7.6%	4.1%	-	-	-

Notes:

1. *Calculated as net profit for the year/period divided by the average of total assets (start and end of the fiscal year).*
2. *Calculated as net profit for the year/period divided by the average of total equity (start and end of the fiscal year).*
3. *Calculated as gross profit divided by total revenue for the year/period.*
4. *Calculated as net profit divided by total revenue for the year/period.*
5. *Calculated as total debt divided by total equity.*
6. *Calculated as total liabilities divided by total equity.*
7. *Calculated as cash and bank balances divided by current liabilities.*
8. *Calculated as current assets divided by current liabilities.*
9. *Calculated as profit for the year/period divided by the weighted average number of shares outstanding.*
10. *Calculated as average share price (start and end of the fiscal year) divided by earnings per share.*
11. *Calculated as equity attributable to owners of the Parent Company divided by the number of shares outstanding.*
12. *Calculated as cash dividends divided by par value.*
13. *Calculated as cash dividends divided by the last share price for the fiscal year.*

FINANCIAL REVIEW

*The following presentation and analysis should be read in conjunction with the information set out in the Group's "**Financial Statements**" and the "**Selected Financial Information**" section. The financial review is based on the audited Financial Statements for the year ended 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020, and the unaudited financial statements for the fiscal quarters ended 30 September 2020 and 30 September 2021.*

*The financial information in this section were presented based on audited Financial Statements of the **Group**. The analysis of the financial condition and results of operations is based on the Financial Statements, which have been prepared in accordance with IFRS Standards as adopted by financial services institutions in Kuwait and that are regulated by the CBK in accordance with Kuwait Companies Law (Law No. 1 of 2016 (as amended)) and the executive regulations thereto. The regulations adopted require the adoption and application of the IFRS requirements.*

*The actual results could materially differ from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in the Prospectus, particularly under the "**Risk Factors**" section.*

Results of Operations

Sales Revenue

	For the year ended 31 December					For the period ended 30 September	
in KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Sales	110,259	110,510	125,406	132,060	109,899	74,999	80,396
Cost of Sales	(89,153)	(90,441)	(103,331)	(110,048)	(91,613)	(64,427)	(65,015)
Gross Profit	**21,106**	**20,069**	**22,075**	**22,012**	**18,286**	**10,572**	**15,381**

The primary sources of the Group's sales revenues are from Building Materials, Specialist Engineering & Chemicals and Hotel & IT Services. Sales revenues amounted to KD 109,899 thousand for the year ended 31 December 2020, compared to KD 132,060 thousand for the year ended 31 December 2019. Moreover, sales revenues amounted to KD 80,396 thousand for the period ended 30 September 2021, compared to KD 74,999 thousand for the period ended 30 September 2020.

The Group's cost of sales reached KD 91,613 thousand for the year ended 31 December 2020, compared to KD 110,048 thousand for the year ended 31 December 2019. Further, cost of sales reached KD 65,015 thousand for the period ended 30 September 2021, compared to KD 64,427 thousand for the period ended 30 September 2020.

The Group attained a gross profit of KD 18,286 thousand for the year ended 31 December 2020, compared to a gross profit of KD 22,012 thousand for the year ended 31 December 2019. Moreover, gross profit amounted KD 15,381 thousand during the period ended 30 September 2021, compared to KD 10,572 thousand during the period ended 30 September 2020.

Income from Investments

	For the year ended 31 December					For the period ended 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Dividend Income:							
From financial assets at fair value through profit or loss	609	806	8,345	9,413	8,692	7,681	5,361
From financial assets at fair value through OCI	-	-	3,607	4,625	2,348	1,232	1,952
From available for sale investments	6,259	6,572	-	-	-	-	-
Profit on sale of available for sale investments	3,689	18,124	-	-	-	-	-
Realized gain on financial assets at fair value through profit or loss	166	1,342	4,487	8,360	(9,893)	(10,903)	4,814
Unrealized gain on financial assets at fair value through profit or loss	3,046	7,726	28,163	68,144	(19,473)	(26,090)	88,543
Interest income on debt securities classified under financial assets at FVTPL	-	-	81	84	19	19	-
Total Income/(Loss) from Investments	**13,769**	**34,570**	**44,683**	**90,626**	**(18,307)**	**(28,061)**	**100,670**

The Group reported a loss from investments amounting to KD 18,307 thousand for the year ended 31 December 2020, compared to an Income from Investments amounting to KD 90,626 thousand for the year ended 31 December 2019.

Moreover, the Group achieved income from investments amounting to KD 100,670 thousand for the period ended 30 September 2021, compared to a Loss from Investments amounting to KD 28,061 thousand for the period ended 30 September 2020. Income from investments are a major source of income for the Group.

Share of results of associates

	For the year ended 31 December					For the period ended 30 September	
in KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Share of results of associates	21,177	19,035	15,182	15,767	5,517	7,844	19,641

Share of results of associates amounted to KD 5,517 thousand for the year ended 31 December 2020, compared to KD 15,767 thousand for the year ended 31 December 2019.

Whereas, share of results of associates reached KD 19,641 thousand for the period ended 30 September 2021, compared to KD 7,844 thousand for the period ended 30 September 2020.

Interest and Other Income

	For the year ended 31 December					For the period ended 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Interest and Other Income	3,201	4,760	21,994	3,074	3,382	2,146	2,316

Interest and Other Income represents the income generated from interest/profit on deposits and Islamic investment products, discounts on the settlement of borrowings, service, management and placement fees, gains relating to acquisitions or liquidation/disposal of subsidiaries and other income.

The Group reached KD 3,382 thousand in Interest and Other Income for the year ended 31 December 2020, compared to KD 3,074 thousand for the year ended 31 December 2019.

Total Interest and Other Income reached KD 2,316 thousand for the period ended 30 September 2021, compared to KD 2,146 thousand for the period ended 30 September 2020.

Finance Costs

	For the year ended 31 December					For the period ended 30 September	
in KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Finance Costs	(28,188)	(31,412)	(32,693)	(30,745)	(23,761)	(18,148)	(15,883)

Finance costs for the Group are related to due to banks, borrowings, bonds and lease creditors. All these financial liabilities are stated at amortized cost.

The Group's Finance Costs reached KD 23,761 thousand for the year ended 31 December 2020, compared to KD 30,745 thousand for the year ended 31 December 2019.

Whereas, Finance Costs reached KD 15,883 thousand for the period ended 30 September 2021, compared to KD 18,148 thousand for the period ended 30 September 2020.

Taxation and Other Statutory Contributions

a) Foreign taxation reversal/(charge)	For the year ended 31 December					For the period ended 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Current tax expense							
Current yea/period reversal/(charge)	(256)	(527)	(1,201)	(676)	1,565	(152)	(449)
Deferred tax expenses							
Current year expenses	548	39	(49)	(27)	-	-	-
	292	**(488)**	**(1,250)**	**(703)**	**1,565**	**(152)**	**(449)**

Foreign taxes of KD 1,565 thousand have been reversed for the Group for the year ended 31 December 2020, compared to foreign taxes expense amounting to KD 703 thousand for the year ended 31 December 2019. Foreign taxation includes an amount of KD 156 thousand for the year ended 31 December 2020 which was reversed, compared to KD 642 thousand for the year ended 31 December 2019 charged by certain foreign subsidiaries which is calculated based on the tax law adopted in the United Kingdom and across European countries.

Moreover, foreign taxation reached KD 449 thousand charged for the period ended 30 September 2021 as compared to KD 152 thousand charged for the period ended 30 September 2020.

b) Provision of KFAS, Zakat and NLST	For the year ended 31 December					For the period ended 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	(17)	(266)	(310)	(343)	(27)	-	(552)
Provision for Zakat	(20)	(285)	(437)	(469)	(138)	(95)	(840)
Provision for National Labour Support Tax (NLST)	(58)	(166)	(516)	(1,640)	(8)	-	(3,073)
	(95)	**(717)**	**(1,263)**	**(2,452)**	**(173)**	**(95)**	**(4,465)**

The Group reported a total of KD 173 thousand in contributions to KFAS and provisions for Zakat and NLST for the year ended 31 December 2020, in comparison with KD 2,452 thousand for the year ended 31 December 2019.

Whereas, contributions to KFAS and provisions for Zakat and NLST amounted to KD 4,465 thousand for the period ended 30 September 2021, compared to KD 95 thousand for the period ended 30 September 2020.

Basic and Diluted Earnings per Share Attributable to the Owners of Parent Company

	For the year ended 31 December					For the period ended 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Profit/(loss) for the year attributable to the owners of the Parent Company – (in KD Thousands)	(24,192)	24,160	19,841	46,353	(52,213)	(55,111)	69,652
Weighted avg. no. of shares outstanding during the year (excluding treasury shares) - Shares	1,325 million	1,325 million	1, 391 million	1,391 million	1,391 million	1,461 million	1,463 million
Basic and Diluted Earnings per Share (Fils)	(18.3)	18.2	14.3	33.3	(37.5)	(37.7)	47.6

The Basic and Diluted Loss Per Share attributable to the Owners of the Parent Company was 37.5 Fils per share for the year ended 31 December 2020, compared to a Basic and Diluted EPS attributable to the Owners of the Parent Company of 33.3 Fils per share reported for the year ended 31 December 2019.

Moreover, Basic and Diluted EPS reached 47.6 Fils for the period ended 30 September 2021, compared to a Basic and Diluted Loss Per Share of 37.7 Fils for the period ended 30 September 2020.

Assets

KD Thousands	As at 31 December 2016	2017	2018	2019	2020	As at 30 September 2020	2021
Bank balances and cash	33,696	38,436	32,077	31,798	50,011	33,052	60,456
Short-term deposits	9,224	8,020	9,136	18,189	9,394	11,439	34,077
Wakala and Sukuk investments	1,164	1,153	1,153	1,000	-	-	-
Assets classified as held for sale	-	-	-	-	6,312	8,370	4,294
Accounts receivable and other assets	61,569	95,907	49,453	50,776	56,918	55,968	58,236
Inventories	32,434	33,194	36,587	35,948	34,819	40,152	36,500
Financial assets at FVTPL	76,782	74,780	364,713	410,414	313,472	314,186	393,171
Financial assets at FVOCI	-	-	216,485	203,932	230,918	234,049	191,190
Available for sale investments	539,053	525,202	-	-	-	-	-
Right of use of leased assets	-	-	-	6,532	9,642	6,108	8,121
Investment properties	64,294	66,121	76,857	60,445	60,260	57,399	56,928
Investment in associates	350,540	336,045	317,462	324,781	315,602	316,717	328,410
Property, plant and equipment	70,837	72,314	88,876	91,177	90,144	90,779	89,349
Goodwill and other intangible assets	14,025	14,121	9,925	9,552	9,847	9,735	10,075
Total Assets	**1,253,618**	**1,265,293**	**1,202,724**	**1,244,544**	**1,187,339**	**1,177,954**	**1,270,807**

Total Assets amounted to KD 1,187,339 thousand for the year ended 31 December 2020, compared to KD 1,244,544 thousand for the year ended 31 December 2019.

Moreover, Total Assets amounted to KD 1,270,807 thousand for the period ended 30 September 2021, compared to KD 1,177,954 thousand for the period ended 30 September 2020.

Cash and Cash Equivalents

KD Thousands	As at 31 December 2016	2017	2018	2019	2020	As at 30 September 2020	2021
Bank balances and cash	33,696	38,436	32,077	31,798	50,011	33,052	60,456
Short-term deposits	9,224	8,020	9,136	18,189	9,394	11,439	34,077
Due to banks	(21,186)	(22,315)	(23,009)	(23,969)	(23,695)	(24,439)	(13,806)
	21,734	**24,141**	**18,204**	**26,018**	**35,710**	**20,052**	**80,727**
Less:							
Short-term deposits maturing after 3 months	(325)	(219)	(6)	(6)	(6)	(6)	(6)
Blocked balances	-	-	-	(2,414)	(1,250)	(623)	(5,975)
Total Cash and Cash Equivalents	**21,409**	**23,922**	**18,198**	**23,598**	**34,454**	**19,423**	**74,746**

Cash and Cash Equivalents are comprised of bank balances and cash, short-term deposits and due to banks, less any blocked balances.

Total Cash and Cash Equivalents amounted to KD 34,454 thousand as at 31 December 2020, relative to KD 23,598 thousand as at 31 December 2019.

Further, Cash and Cash Equivalents reached KD 74,746 as at 30 September 2021, compared to KD 19,423 thousand as at 30 September 2020.

Account Receivable and Other Assets

in KD Thousands	As at 31 December					As at 30 September	
	2016	2017	2018	2019	2020	2020	2021
Accounts receivable and Other Assets	61,569	95,907	49,453	50,776	56,918	55,968	58,236

Accounts Receivable and Other Assets amounted to KD 56,918 thousand as at 31 December 2020, compared to KD 50,776 thousand reported as at 31 December 2019.

Accounts Receivable and Other Assets amounted to KD 58,236 as at 30 September 2021, compared to KD 55,968 as at 30 September 2020.

Inventories

in KD Thousands	As at 31 December					As at 30 September	
	2016	2017	2018	2019	2020	2020	2021
Inventories	32,434	33,194	36,587	35,948	34,819	40,152	36,500

Inventories are comprised of finished and work-in-progress goods, raw materials and consumables, spare parts and others, and goods in transit.

Inventories reached KD 34,819 thousand as at 31 December 2020, compared to KD 35,948 thousand as at 31 December 2019.

Further, Inventories amounted to KD 36,500 thousand as at 30 September 2021, relative to KD 40,152 reported as at 30 September 2020.

Financial Assets at Fair Value through Profit or Loss (FVTPL)

in KD Thousands	As at 31 December					As at 30 September	
	2016	2017	2018	2019	2020	2020	2021
Financial assets at FVTPL	76,782	74,780	364,713	410,414	313,472	314,186	393,171

The Group's financial assets at fair value through Profit or Loss are comprised of local and foreign quoted shares and debt securities, unquoted equity participations (held in managed portfolios), and investments in local and foreign managed portfolios and funds.

Financial assets at fair value through Profit or Loss for the Group decreased to KD 313,472 thousand as at 31 December 2020, compared to KD 410,414 thousand as at 31 December 2019. Moreover, Financial assets at fair value through Profit or Loss reached KD 393,171 thousand as at 30 September 2021, relative to KD 314,186 thousand as at 30 September 2020.

Quoted shares and managed funds held at fair value by the **Group** amounting to KD 91,710 thousand as at 31 December 2020 are secured against borrowings, compared to KD 163,476 as at 31 December 2019.

Moreover, quoted shares and managed funds held at fair value by the Group amounting to KD 140,887 thousand as at 30 September 2021 are secured against borrowings, compared to KD 93,554 as at 30 September 2020.

Financial Assets at Fair Value through Other Comprehensive Income (OCI) / Available for Sale Investments

	As at 31 December					As at 30 September	
in KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Available-for-sale investments	539,053	525,202	-	-	-	-	-
Financial assets at fair value through OCI	-	-	216,485	203,932	230,918	234,049	191,190
Total	**539,053**	**525,202**	**216,485**	**203,932**	**230,918**	**234,049**	**191,190**

Financial assets at fair value through OCI and available-for-sale investments are comprised of investments allocated to equity instruments for medium to long-term strategic objectives. These include local and foreign quoted shares, local and foreign unquoted equity participations, quoted debt securities, and local and foreign managed portfolios and funds.

Due to the application of IFRS 9 accounting standards in 2018, available-for sale investments were reclassified between financial assets at fair value through OCI or financial assets held at fair value through P&L for the year ended 31 December 2018.

Financial assets at fair value through OCI amounted to KD 230,918 thousand as at 31 December 2020, compared to KD 203,932 thousand as at 31 December 2019. Moreover, financial assets at fair value through OCI amounted to KD 191,190 thousand as at 30 September 2021, compared to KD 234,049 thousand as at 30 September 2020.

Quoted shares with fair value of KD 29,788 thousand and unquoted shares with fair value of KD 320 thousand are secured against bank borrowings as at 31 December 2020, compared to quoted shares amounting to KD 32,473 thousand and unquoted shares amounting to KD 96 thousand as at 31 December 2019.

Quoted shares with a fair value of KD 35,201 thousand and unquoted shares with a fair value of KD 384 thousand are secured against bank borrowings as at 30 September 2021, compared to quoted shares with fair value of KD 28,457 thousand and unquoted shares with fair value of KD 157 thousand as at 30 September 2020.

Investment Properties

Investment Properties are stated at fair value, which is determined based on valuations performed by independent valuers.

The Group's Investment Properties came to KD 60,260 thousand as at 31 December 2020, in comparison with KD 60,445 thousand as at 31 December 2019. Investment Properties reached KD 56,928 thousand as at 30 September 2021, compared to KD 57,399 thousand as at 30 September 2020.

Investment Properties secured against borrowings amounted to KD 39,885 thousand as at 31 December 2020, compared to KD 42,479 thousand as at 31 December 2019.

Investment Properties are comprised of lands and buildings in the following locations:

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Kuwait	54,780	52,365	57,666	49,117	49,394	46,700	46,082
Saudi	5,694	6,071	6,579	7,742	8,022	7,906	8,022
Jordan	494	501	504	504	505	458	502
UAE	2,513	6,267	11,264	2,211	1,435	1,472	1,434
London	813	917	844	871	904	863	888
Total Investment Properties	**64,294**	**66,121**	**76,857**	**60,445**	**60,260**	**57,399**	**56,928**

The Group's Investment Properties located in Kuwait amounted to KD 49,394 thousand as at 31 December 2020, compromising around 82 per cent of Total Investment Properties, in comparison with KD 49,117 thousand as at 31 December 2019, compromising around 81 per cent of Total Investment Properties.

Investment in Associates

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Balance at 1 January	337,187	350,540	334,892	317,462	324,781	324,781	315,602
Net additions due to deconsolidation of indirect subsidiaries	-	-	-	5,536	-	-	-
Additions during the year	2,182	5,558	2,107	2,997	5,626	2,131	2,451
Share of results	21,177	19,035	15,182	15,767	5,517	7,844	19,641
Disposal/capital reduction	(3,108)	(28,388)	(12,993)	(5,217)	(1,328)	-	(120)
Share of other comprehensive income	1,143	3,368	(346)	9,971	(9,154)	(8,994)	5,125
Dividend distribution	(9,286)	(9,376)	(9,984)	(9,619)	(8,759)	(6,599)	(5,686)
Foreign currency translation adjustment	1,082	(4,376)	(11,485)	(3,804)	(1,176)	(2,446)	(3,689)
Impairment	-	-	-	(7,748)	-	-	(4,917)
Other adjustments	163	(316)	89	(564)	95	-	3
Balance at the end of the year	**350,540**	**336,045**	**317,462**	**324,781**	**315,602**	**316,717**	**328,410**

Investments in Associates amounted to KD 315,602 thousand as at 31 December 2020, as compared to KD 324,781 thousand as at 31 December 2019.

Investments in Associates amounted to KD 328,410 thousand as at 30 September 2021, compared to KD 316,717 thousand as at 30 September 2020.

Property, Plant and Equipment

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Property, Plant and Equipment	70,837	72,314	88,876	91,177	90,144	90,779	89,349

The Group's Property, Plant and Equipment consists of land, freehold and leasehold properties, properties on leasehold land, plant and machineries, motor vehicles, furniture and equipment, leased plant, machineries and vehicles, and properties under construction, less any accumulated depreciation and impairment losses.

Property, Plant and Equipment amounted to KD 90,144 thousand as at 31 December 2020, relative to KD 91,177 thousand reported as at 31 December 2019.

Goodwill and Other Intangible Assets

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Goodwill and Other Intangible Assets	14,025	14,121	9,925	9,552	9,847	9,735	10,075

Goodwill and Other Intangible Assets increased to KD 9,847 as at 31 December 2020, compared to KD 9,552 as at 31 December 2019. Whereas Goodwill and Other Intangible Assets amounted to KD 10,075 thousand as at 30 September 2021, compared to KD 9,735 thousand as at 30 September 2020.

Total Liabilities

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Due to banks	21,186	22,315	23,009	23,969	23,695	24,439	13,806
Accounts payable and other liabilities	45,482	48,391	58,677	69,190	72,936	73,737	75,041
Borrowings and bonds	674,926	673,315	611,117	628,603	612,190	604,183	623,402
Provisions	14,645	15,157	13,573	14,113	15,296	14,738	14,793
Total Liabilities	**756,239**	**759,178**	**706,376**	**735,875**	**724,117**	**717,097**	**727,042**

Liabilities are comprised of due to banks, accounts payable and other liabilities, borrowings and bonds, and provisions.

Total Liabilities amounted to KD 724,117 thousand as at 31 December 2020, compared to KD 735,875 thousand as at 31 December 2019.

Moreover, Total Liabilities amounted to KD 727,042 thousand as at 30 September 2021, compared to KD 717,097 reported as at 30 September 2020.

Accounts Payable and Other Liabilities

	As at 31 December					As at 30 September	
in KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Accounts payable and other liabilities	45,482	48,391	58,677	69,190	72,936	73,737	75,041

Accounts Payable and Other Liabilities amounted to KD 72,936 thousand as at 31 December 2020, relative to KD 69,190 thousand reported as at 31 December 2019.

Whereas Accounts Payable and Other Liabilities amounted to KD 75,041 thousand as at 30 September 2021, compared to KD 73,737 as at 30 September 2020.

Bonds and Borrowings

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Short-term conventional loans	278,336	333,496	250,907	150,739	71,675	129,946	161,153
Short-term Islamic financing arrangements	42,571	131,846	14,229	14,128	13,897	27,227	13,829
	320,907	465,342	265,136	164,867	85,572	157,173	174,982
Long-term conventional loans (current portion and due after more than one year)	216,323	145,666	214,402	325,214	352,102	281,518	270,564
Long-term Islamic financing arrangements (current portion and due after more than one year)	112,696	37,307	106,579	113,522	119,516	110,492	122,856
	329,019	182,973	320,981	438,736	471,618	392,010	393,420
Total borrowings	649,926	648,315	586,117	603,603	557,190	549,183	568,402
Bonds	25,000	25,000	25,000	25,000	55,000	55,000	55,000
Total Borrowings and Bonds	**674,926**	**673,315**	**611,117**	**628,603**	**612,190**	**604,183**	**623,402**

The Group's Borrowings are categorized into short-term and long-term conventional loans and Islamic financing arrangements.

The Group's Borrowings decreased to KD 557,190 thousand as at 31 December 2020 from KD 603,603 thousand as at 31 December 2019, of which total borrowings amounting to KD 194,194 thousand as at 31 December 2020 are secured against cash and cash equivalents, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, investment properties and property plant and equipment, compared to KD 242,347 thousand as at 31 December 2019.

The Group has an outstanding floating-rate Bond issued during 2020 with a nominal value of KD 30,000 thousand in two series composed of KD 22,400 thousand fixed rate bonds and KD 7,600 thousand floating rate bonds, and that matures on 11 February 2025.

Provisions

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Pension liability	2,743	3,328	1,458	881	1,634	970	955
Provision for staff indemnity	11,135	11,429	11,664	12,749	13,151	13,242	13,312
Provision for land-fill expenses	767	400	451	483	511	526	526
Total Provisions	**14,645**	**15,157**	**13,573**	**14,113**	**15,296**	**14,738**	**14,793**

Provisions include pension liability, staff indemnity and land-fill expenses.

Provisions totaled KD 15,296 thousand as at 31 December 2020, compared to KD 14,113 thousand as at 31 December 2019.

Provisions amounted to KD 14,793 thousand as at 30 September 2021, compared to KD 14,738 thousand as at 30 September 2020.

Equity

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Share capital	135,985	135,985	135,985	142,784	142,784	142,784	149,924
Share premium	122,962	122,962	122,962	122,962	122,962	122,962	122,962
Treasury shares	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)	(30,375)	(23,406)
Other components of equity	31,526	30,457	23,827	32,260	32,816	32,616	28,008
Cumulative changes in fair value	108,729	103,959	21,679	20,938	36,469	35,698	18,295
Retained earnings	(8,495)	13,000	78,608	89,434	22,253	21,501	101,035
Equity attributable to owners of the Parent Company	360,332	375,988	352,686	378,003	326,909	325,186	396,818
Non-controlling interests	137,047	130,127	143,662	130,666	136,313	135,671	146,947
Total Equity	**497,379**	**506,115**	**496,348**	**508,669**	**463,222**	**460,857**	**543,765**

As at 30 September 2021, the Group has a Share Capital of KD 149,924 thousand and Share Premium of KD 122,962 thousand, while Treasury Shares amounted to KD 23,406 thousand.

Retained Earnings decreased to KD 22,253 thousand as at 31 December 2020, compared to KD 89,434 thousand as at 31 December 2019. Whereas Retained Earnings increased to KD 101,035 thousand as at 30 September 2021, compared to KD 21,501 thousand during the quarter ended 30 September 2020.

Total Equity provided by the Group amounted to KD 463,222 thousand as at 31 December 2020, relative to KD 508,669 thousand as at 31 December 2019. Whereas the Group reported Total Equity of KD 543,765 thousand as at 30 September 2021, compared to KD 460,857 thousand as at 30 September 2020.

Contingent Liabilities and Capital Commitments

	As at 31 December					As at 30 September	
KD Thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**	**2021**
Bank Guarantees	19,550	24,705	26,888	18,916	16,048	17,523	13,461
Purchase of investments and acquisitions of PPE and Investment Properties	53,467	43,418	31,498	20,348	18,828	16,449	14,884
Committed Lease Rentals	5,173	4,815	3,874	-	-	-	-
Committed Loan to Related Party	-	2,720	304	-	-	-	-
Other Contingencies	251	356	356	356	-	-	-
Total Contingent Liabilities and Capital Commitments	**78,441**	**76,014**	**62,920**	**39,620**	**34,876**	**33,972**	**28,345**

Contingent Liabilities and Capital Commitments are potential liabilities that may occur, depending on the outcome of an uncertain future event.

The Group's total Contingent Liabilities and Capital Commitments decreased to KD 34,876 as at 31 December 2020, compared to KD 39,620 as at 31 December 2019. Moreover, the Total Contingent Liabilities and Capital Commitments decreased to KD 28,345 thousand as at 30 September 2021, relative to KD 33,972 thousand as at 30 September 2020.

Cash Flows

KD Thousands	For the year ended 31 December 2016	2017	2018	2019	2020	For the period ended 30 September 2020	2021
Net cash from operating activities	34,334	19,971	80,401	37,222	68,130	56,375	13,155
Net cash from investing activities	17,138	15,371	4,393	4,316	4,060	(3,903)	32,851
Net cash used in financing activities	(69,680)	(32,800)	(90,534)	(35,435)	(60,760)	(56,603)	(5,656)
Net increase in cash and cash equivalents	**(18,208)**	**2,542**	**(5,740)**	**6,103**	**11,430**	**(4,131)**	**40,350**
Net cash on assets held for sale	-	-	-	-	-	(15)	-
Translation difference	(187)	(29)	16	(4)	(11)	(29)	(58)
	(18,395)	2,513	(5,724)	6,099	11,419	(4,175)	40,292
Cash and cash equivalents at beginning of the year/period	39,804	21,409	23,922	18,198	23,598	23,598	34,454
Cash and cash equivalents attributable to the disposed group and indirect subsidiaries	-	-	-	(699)	(563)	-	-
Cash and cash equivalents at end of the year/period	**21,409**	**23,922**	**18,198**	**23,598**	**34,454**	**19,423**	**74,746**

Net Cash from/(used in) Operating Activities

Net cash flow from operating activities amounted to KD 68,130 thousand for the year ended 31 December 2020, compared to a net cash flow from operating activities of KD 37,222 thousand for the year ended 31 December 2019. Whereas net cash flow from operating activities amounted to KD 13,155 thousand for the period ended 30 September 2021, compared to KD 56,375 thousand reported for the period ended 30 September 2020.

Net Cash from/(used in) Investing Activities

Net cash flow from investing activities totaled KD 4,060 thousand for the year ended 31 December 2020, compared to a net cash flow from investing activities of KD 4,316 thousand reported for the year ended 31 December 2019. Moreover, net cash flow from investing activities amounted to KD 32,851 thousand for the period ended 30 September 2021, compared to a net cash flow used in investing activities of KD 3,903 thousand for the period ended 30 September 2020.

Net Cash from/(used in) Financing Activities

Net cash flow used in financing activities reached KD 60,760 thousand for the year ended 31 December 2020, compared to a net cash flow used in financing activities of KD 35,435 thousand reported for the year ended 31 December 2019. Whereas net cash flow used in financing activities amounted to KD 5,656 for the period ended 30 September 2021, compared to a net cash flow used in financing activities of KD 56,603 for the period ended 30 September 2020.

PREVIOUS SECURITIES ISSUANCES BY THE ISSUER

The following table presents all capital increases by the Group since 2011:

Issue Type (Bonus shares / capital increase)	Year	No. of shares issued (shares)	Total nominal value of the issue (KD)	Net value of the issue (including nominal value and issue premium) (KD)
5% bonus shares	2013	64,754,908	6,475,491	6,475,491
5% bonus shares	2018	67,992,653	6,799,265	6,799,265
5% bonus shares	2020	71,392,286	7,139,229	7,139,229

All previous bond and sukuk issuances by the Group are presented below:

Issue Year	Amount	Term	Interest Rate	Type of Issue
1998	KD 35 million	3 years	7.875%	Bonds
2001	KD 35 million	5 years	6.25%	Bonds
2004	USD 60 million	5 years	6M LIBOR + 0.9%	Bonds
2007	USD 475 million	5 years	3M LIBOR + 1.05%	Mudaraba Sukuk
2016	KD 25 million	5 years	CBK Rate + 2.25%	Bonds
2020	KD 30 million	5 years	Fixed: 5.50% Floating: CBK Rate + 2.75%	Bonds

MATERIAL CASES

The Group is not a party to any governmental, administrative, litigation or arbitration proceeds (whether such proceeds are pending or the Issuer is aware of them or anticipates them against the Issuer and/or its subsidiaries) which may have, or had in the recent past, implications materially affecting the financial position of the Issuer and its profits.

MAJOR CONTRACTS

The Issuer has not entered into any major contracts outside of its area of activities during the two years preceding the date of submitting the application for approval of this Prospectus, nor has it relied on any specific customers or suppliers, or on any patent or other intellectual property rights, licenses or special contracts, any of which are of primary importance in the activity of the Issuer.

RISK FACTORS

Prior to investing in any Offering Shares, prospective investors should carefully consider, together with all other information contained in this Prospectus, the risk factors described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Offering Shares, but these risk factors are not exhaustive and other considerations, including some of which may not be presently known to the Group, or which the Issuer currently deems to be immaterial, may impact any investment in the Offering Shares.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER AND ITS OPERATIONS

Economic Factors

Political and economic risks associated with investments, especially in developing markets

The operations and activities of the subsidiaries and associates of the Issuer are concentrated within Kuwait, the GCC, MENA and to a lesser extent in the United States and Europe. Therefore, the operations of the Issuer and its subsidiaries are exposed to geopolitical risks associated with such countries and regions, which may consequently affect its performance. In view of the recent geopolitical events in the Middle East, and the terrorist acts witnessed in some parts of the region, some countries remain exposed to terrorist attacks, sabotage and similar threats. Terrorism creates an atmosphere of uncertainty that erodes investor confidence, thus heightening risk factors, and subsequently causing investments and economic growth to decline as a result.

The Issuer and its subsidiaries and associates are particularly exposed to the negative changes affecting the economic conditions in markets it is invested in, as well as the political developments of those countries and its interconnectedness with global financial markets.

The economies of GCC countries are highly reliant on oil export income and are therefore potentially exposed to turbulent oil prices. Moreover, any deterioration in the economic stability of GCC countries, as a result of falling oil and gas production or any related industry, can have a material adverse effect on the performance and results of the Issuer and its subsidiaries.

Moreover, investors must be aware that investment in developing countries, such as Kuwait and the MENA region, are exposed to significant risks compared to investment in developed markets, including in some cases but not limited to material legal, economic and political risks.

The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Group's business, financial condition and results of operations

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global markets. COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019 and spread to most countries around the world, including Kuwait, causing widespread business disruptions and uncertainties surrounding economic activities. Governments around the world have taken several measures to restrict the spread of the virus, by imposing travel restrictions and quarantine measures. These measures, while designed to slow the spread of COVID-19 and its variants, resulted in significant reductions in economic activity globally during 2020. It is currently unclear how long existing restrictions will be in place, the duration of possible future restrictions and what their ultimate impact will be on global and local economies.

The global pandemic event has affected the economic climate locally and internationally, due to the implemented restrictions and other measures, such as business and market closures, in the attempt to reduce and control the spread of the COVID-19 virus. This in turn has exposed the Issuer to various losses, including a significant decline in the Group's operations, fluctuations in foreign exchange rates, high credit losses, and decrease in the value of assets, on the back of the slowdown in economic activity.

The economic implications of COVID-19, or any of the other related strains, depend on several factors, such as the duration of the pandemic or the frequency of subsequent waves, the expected timing of vaccine distribution, and the suitability and effectiveness of the measures imposed by authorities around the world such as enforcing local or regional lockdown measures and its impact on central banks, and governments (especially regarding imposing quarantine requirements on clients), availability of resources, including human capital, financial capital, infrastructure, and financial resources (for example, government stimulus packages and / or measures introduced by central banks) necessary to implement economic reforms at the local and regional levels as well as the level of civil compliance with these measures.

Accordingly, there are no guarantees that such economic reforms, or a combination thereof, are effective methods in combatting such an outbreak or the consequences thereof, and the continuation of the implications of this pandemic may lead to a significant decrease in the Group's income, which will materially and negatively affect the Group's operations, financial condition, and future prospects.

Risks related to the Group's revenue being affected by the level of government spending

Due to the concentration of the Group's customers in governmental and semi-governmental entities, the Group's revenues may be affected by the conditions of governmental entities and the sectors they represent and the level of government spending, which are related to several factors such as financial, budgetary or regulatory restrictions, changes in the government's financial or contractual policies, public spending restrictions, a decline in the available government funding, or delays in collecting government allocations. Government spending is also affected by political and economic conditions such as wars, natural disasters, epidemics, etc. These factors will have a material effect on the volume, scope, timing, and duration of contracts and purchases, which in turn will have an effect on the level of business secured by the Group from such customers. Such factors could also result in a suspension, cancellation, termination, or non-renewal of existing contracts. Any loss of key governmental and semi-governmental customers or reduced expenditure on digital services by the governmental and semi-governmental customers would have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

Risks relating to the sectors in which the Group operates

The industrial sector is a competitive sector in the markets where the Issuer and its subsidiaries and associates are invested in

The Industrial sector in Kuwait and the MENA region is competitive, where it attracts new competitors in the present time. Governments of the MENA region are working towards economic liberalization and establishing economic reforms that causes it to emerge as an attractive investment opportunity, which in turn attracts foreign companies. The increasing competition may have a negative impact on the profitability of the associates and subsidiaries of the Group.

Risks associated with the building materials sector

The performance of some of the Group's subsidiaries and associates that work within the building materials sector are closely linked to the levels of activity of developers of real estate and volume of infrastructure projects implemented by the government. A decline in demand due to slow economic growth or any other factors could have a material negative impact on the performance of the Issuer's subsidiaries and associates operating in the building materials sector.

The government of Kuwait is one of the main clients of the Group's subsidiaries that are operating within the building materials sector. As such, if the implementation of government projects declines or the government of Kuwait ceases to meet its obligations under agreements for any reason, it will have an adverse impact on the operations of the Issuer's subsidiaries and associates operating in the building materials sector.

Risks related associated with real estate construction and development

The subsidiaries and associates of the Issuer that operate within the real estate sector intend to continue to develop new properties in the markets in which it currently operates as well as new markets. Current and future development and construction activities of the subsidiaries and associates of the Issuer involve a number of risks, including:

- Inability to obtain the desired sites for the construction of affordable real estate properties.
- Inability to obtain financing on favorable terms for construction purposes.
- Increasing capital requirements for the development of properties without obtaining revenues from these properties until future periods.
- Inability to complete development projects on schedule or within budgeted amounts.
- Delays in obtaining or refusal to grant all required permits and other required governmental approvals.
- Occupancy rates at newly developed properties are unstable due to a number of factors, including market and economic conditions that could result in subsidiaries and associates of the Issuer's investments becoming unprofitable.
- Lack of building materials and changes in their prices, thus impacting construction costs.
- Risk of insurance not covering all damages caused to properties and construction.

Fluctuating performance and the increased competition of the real estate sector

The real estate market is mainly affected by fluctuations in property prices and rental rates, which directly affects subsidiaries and associates of the Issuer that operate in the real estate sector. Economic factors in general, as well as the performance of other sectors, can have a direct impact on the real estate market.

One of the Issuer's associate companies, which operates in the management of commercial centers, contests to provide its best services to and attracting commercial tenants. Activities of competing real estate companies may attract commercial tenants through attractive offers to entice investors and clients from commercial properties managed by the Issuer's associates, or attempt to attract investors and clients away from renewing their leases with commercial properties managed by the Issuer's associates. Competing companies may also offer larger commercial spaces than ones offered by the Issuer's associates to entice clients, which may lead to an adjustment in the rental rates offered by the Issuer's subsidiaries and which leads to a negative and material impact on the business, its financial position, results of operations and future prospects.

Risks associated with the oil and gas and petrochemical sectors

Some of the Issuer's subsidiaries invest in the oil & gas and petrochemical industries within the Arabian Gulf, therefore any significant deterioration in oil and oil derivatives prices will have a negative impact on the operations and future projections of the Issuer's subsidiaries. Oil and gas prices have fluctuated widely over the last two decades as a result of many factors, including global demand for oil and natural gas, global storage capacity, changes in governmental regulations, weather, international armed conflict, terrorism, general economic conditions and competition from other energy sources. Actual changes in market conditions and oil and gas prices in the region or elsewhere may affect the future prospects of the subsidiaries of the Issuer.

The oil & gas and petrochemicals industries are characterized by competition that attracts foreign competitors into the markets where the Issuer's subsidiaries operate in the oil & gas sector, and the ability of the Issuer's subsidiaries to adapt its activities and businesses to trends in that sector.

Although historically there has been a reasonably strong correlation between benchmark prices for oil and gas on the one hand and petrochemical prices on the other, there can be no assurance that this will continue to be the case, while petrochemical prices may be affected by similar factors to that of oil and gas prices above, all of which are outside of the control of the subsidiaries of the Issuer.

Despite the presence of various environmental regulations, and the corresponding measures taken by the subsidiaries and associates of the Issuer that operate within the energy sector, to comply with regulations and programs that aim to preserve the environment, set forth by the respective regulatory bodies in the countries where the subsidiaries or associates operates within, the occurrence of an environmental violation is possible. This is due to the nature of the operations and the associated risks, across all ranges of operational activity.

Furthermore, implementing strict environmental programs will increase the costs on the subsidiaries of the Issuer, which may have a material adverse impact on operations and profits. It is also possible that the Issuer's net income, results of operations, and its financial position could be heavily impacted in case of occurrence of major damages or losses as a result of handling dangerous or poisonous matter without proper insurance coverage on such operations, or the occurrence of any accidents without proper insurance coverage or no coverage at all for any reason as per reasonable commercial guidelines.

Risk relating to Build Operate and Transfer (BOT) Agreements

Some of the associate companies and subsidiaries are undertaking a number of BOT projects with the Kuwaiti government, and which would result in a number of risks including the possibility of imposing penalties on the company as a consequence to not abiding to its obligations under the project, in addition to the risks relating to not being able to amend the prices of the services in the event that the operating costs of the project increase due to the contractual commitments entered into with the government. In addition to the above, the contracting governmental entities may terminate, amend or not renew the project agreements for reasons relating to public interest or for other reasons which details would be unknown to the company upon termination. The damages paid to the company may not be available or sufficient. Accordingly, there is no guarantee that the company will be able to avoid the risks relevant to these agreements, which may lead to a negative and material impact on the business, its financial position, results of operations and future prospects.

Risks related to the investments sector

The Group currently has strategic investments, and it may enter into any such investments in the future to achieve its long-term strategic plans and objectives. The Group may not have a controlling interest in strategic investments that it enters into, which does not give the Group any guarantees as to its investment objectives. The Group's objectives may not be compatible with its partners' objectives, and such partners may breach their obligations under the agreements entered into with the Group. In addition, strategic investments require considerable time and tremendous effort from the Group and there can be no assurance that any of these investments will be successful. Investments also entail many risks, such as the failure to achieve the expected return on investment or loss of all or part of the Group's investment; such investments may also lead to the Group incurring unexpected obligations and having to cooperate with a strategic partner that may not be cooperative with the Group. Any of these factors will have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

Market Risks

The Group's financial position and results of operations could be adversely affected by risks associated with financial markets

The Issuer and its subsidiaries' financial condition and results of operations could be adversely affected by risks inherent in financial markets that are outside its control, including, without limitation, volatility in interest rates, prices of securities and currency exchange rates. The Issuer and its subsidiaries maintain portfolios of financial and real estate investments, such as financial assets held at fair value through profit or loss, financial assets held at fair value through other comprehensive income, investments held at fair value through profit or loss, as well as real estate investments. The Issuer's income from investments in financial and real estate assets depends on numerous factors beyond its control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility.
Further, the Group is exposed to the risk of fluctuations in interest rates and the financial obligations arising from its activities. The global economy is witnessing a rise in inflation as a result of the implications of COVID-19, primarily of which has resulted in significant complications to global supply chains. The US Federal Reserve announced in 2021 it would begin scaling back its asset purchases program, while economists predict that the Federal Reserve will raise interest rates at a faster pace than initially anticipated. An increase in the general level of interest rates may increase the Group's cost of borrowing, which could have a material adverse effect on the Group's business, results of operations, financial position, and future prospects.

A main segment of the Group and its subsidiaries' and associates' income are derived from returns on its investment portfolios. Any fluctuations in global markets can impact the performance of investment portfolios that the Issuer and the subsidiaries and associates invest in, and that could lead the Group to decrease their holdings in the securities they own.

Moreover, the weakness of the Kuwaiti Dinar against the US Dollar may have a negative impact on the Group's ability to repay the nominal amount and interest on loans in currencies other than the Kuwaiti Dinar. The Group is exposed to risks that may result from a change in foreign exchange rate policies imposed by the Central Bank of Kuwait. A volatile fluctuation in the value of the Kuwaiti Dinar against the US dollar may have a significant impact on profits.

There are no guarantees that the Group will be successfully able to circumvent any future adverse effects that may occur as a result of changes in interest rates or volatility in foreign exchange rates, which could lead to a material impact on the Issuer's business, financial position, results of operations and future prospects.

Liquidity Risks

The Group's portfolio include illiquid investments, which are difficult to exit

Illiquid investments are difficult to exit compared to other more liquid investments, particularly in times of slowdowns in global markets, particularly, in markets where the Issuer and its subsidiaries and associates operate. The adverse market conditions could negatively impact the Issuer and its subsidiaries' investments portfolio in the future, leading to increasing difficulty in divesting from such investments, which would have a material adverse impact on its financial position, results of operations and future prospects.

Direct real estate investments are long-term investments and are difficult to exit compared to other investments, particularly in times of recession in the real estate sector as well as other markets where the Issuer and its subsidiaries and associates operate. The adverse market conditions could negatively impact the Issuer's real estate portfolio in the future, which would increase the difficulty of divesting from such investments, and would therefore have a material adverse impact on its financial position, results of operations and future prospects.

The Group is subject to the risk that liquidity may not always be readily available or may only be available at costs that may adversely affect its business or results of operations

Liquidity risk is the risk that the Issuer and some of its affiliate companies and subsidiaries will be unable to meet their obligations, including funding commitments, as they fall due. The Issuer and its affiliate companies and subsidiaries are intending to pay back a number of debts. The success of the Issuer and its affiliate companies and subsidiaries in doing so will depend on a number of factors which fall outside their control including the approval of lenders, the terms and conditions entered into with these lenders, the ability of the Issuer and its affiliate companies and subsidiaries to issue these Offering Shares, in addition to a number of other factors.

The risk may also increase because of certain requirements imposed on institutions and these would include relying on a single source of funding (including for short-term funding), the changes in the credit ratings, in addition to circumstances relating to the market at large such as major crisis and chaos in the market. A decrease in the oil returns may cause a slowdown of growth and a budget deficit, which would cause a decrease in the credit and liquidity in the GCC's markets.

In addition to the above, the instability and the markets and credit fluctuations may limit the Issuer and its affiliate companies and subsidiaries' ability to refinance the commitments through a long term funding or increase the cost of such funding. Obtaining additional funding by the Issuer and its affiliate companies and subsidiaries will depend on various factors including the market situation and the availability of credit generally, and on the borrowers in the financial services sector in particular, the financial situation of the Issuer, its credit rating and worthiness.

Operational Risks

The Issuer and its subsidiaries and associates are exposed to a range of operational risks. In particular, any failure of the Issuer's information technology (IT) systems could have a material adverse effect on its business and reputation

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures (including IT failures, in particular), natural disasters or the failure of external systems (for example, those of the Issuer's and its subsidiaries' and associates' counterparties or vendors). The Issuer and its subsidiaries and associates have implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to entirely eliminate each of the potential operational risks that the Issuer, or any of its subsidiaries' and associates', face. Losses from the failure of the internal system controls of the Issuer and its subsidiaries and associates could have a material adverse effect on its financial position, results of operations and future prospects.

The Issuer and its subsidiaries and associates depend on IT systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The proper functioning of the Issuer's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between main data processing centers, are critical to the Issuer's business and ability to compete effectively. The Issuer's business activities would be materially disrupted if there is a partial or complete failure of any of these IT systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Issuer's control including natural disasters, extended power outages, computer viruses and malicious third-party intrusions. The proper functioning of the Issuer's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties. The Issuer has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Issuer's business and reputation.

The risk management policies and procedures of the Issuer and its subsidiaries and associates may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks

There can be no assurance that the risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by their risk management systems. Some of the methods used by the Issuer and its subsidiaries and associates in managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the empirical data of the Issuer and its subsidiaries and associates would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Issuer's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on its financial position, results of operations and future prospects.

The Issuer's internal compliance systems might not be fully effective in all circumstances

The Issuer and its subsidiaries and associates' ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Issuer and its subsidiaries and associates are subject to oversight by regulatory authorities, including regular examination activity, and performs regular internal audits and employs an external auditor to monitor and test its compliance systems, the Issuer and its subsidiaries and associates cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it. In the case of actual or alleged non-compliance with applicable regulations, they could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these factors could have a material adverse effect on the financial position, results of operations and future prospects of the Issuer and its subsidiaries and associates.

The Issuer and its subsidiaries and associates may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy

The success and ability of the Issuer and its subsidiaries and associates to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The market for such personnel in the markets where they operate is intensely competitive and the Issuer and its subsidiaries and associates could face challenges in recruiting and retaining such personnel to manage its businesses.

The Issuer and its subsidiaries and associates depend on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent them from implementing its strategies. The Issuer and its subsidiaries and associates are also not insured against losses that may be incurred in the event of the loss of any member of its key personnel. Any of these factors could have a material adverse effect on the business, financial condition, results of operations and future prospects of the Issuer and its subsidiaries and associates.

Lawsuits and fines that the Issuer or its subsidiaries and associates may face

The Issuer and its subsidiaries and associates are at risk of prosecution from several parties it deals with, and any adverse judgements and/or sentences in these potential litigation cases will most likely incur damages, costs and fines. The occurrence of any of these risks would have a material adverse impact on its financial position, results of operations and future prospects.

The application of Corporate Governance rules and the extent to which the Issuer and its subsidiaries and associates are able to comply with the requirements of regulatory bodies

The Issuer's management approved the Corporate Governance Regulations for Companies as per the rules and regulations stated in the restated executive bylaws of the CMA in the State of Kuwait. These rules and procedures include the formation of risk, audit, nomination and remuneration committees. The Issuer's success in implementing sound governance protocols will depend on a comprehensive understanding of corporate governance laws and their objectives, especially in relation to the formation of the board of directors, its committees, requirements for independence, and the performance of their roles and responsibilities, as well as upholding principles, with relation to conflicts of interest, related parties and periodic disclosures. The Issuer's non-compliance to the rules and regulations and the demands of regulatory bodies will result in penalties imposed by the CMA. As such, the Issuer's failure in applying governance protocols will have an adverse negative material impact on the Issuer's business, financial condition, results of operations and future prospects.

The Issuer and its subsidiaries and associates accounting policies and methods are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain

Accounting policies and methods are fundamental to how the Issuer and its subsidiaries and associates record and report its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with IFRS.

The management of the Issuer and its subsidiaries and associates have identified certain accounting policies in the notes to its financial statements as being critical because they require management's judgment, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. See notes 2 to 6 to the 2020 Annual Audited Financial Statements. These judgments include, for example, the classification of investments, real estate and the determination of impairment allowances and fair values of assets and liabilities.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognizing an expense, recovering an asset or reducing a liability. The Issuer and its subsidiaries and associates have established policies and control procedures that are intended to ensure that these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. However, due to the uncertainty surrounding the Issuer and its subsidiaries and associates' judgments and the estimates pertaining to these matters, they cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

Regulatory Risks

Some of the Issuer's subsidiaries and associates are subject to extensive regulations, where any changes to these regulations, or the interpretation and enforcement of these regulations, or any failure by the Issuer's subsidiaries and associates to comply with these regulations could have a material adverse effect on the Issuer

Some of the Issuer's subsidiaries and associates operating in the financial services sector are subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of those companies, ensure their compliance with economic and other objectives, and limit their exposure to risk. These controls include laws and regulations promulgated by the CMA, the CBK, MOCI and Boursa Kuwait.

The regulations to which the Issuer's subsidiaries and associates are subject to may limit its ability to carry on certain parts of its business. In addition, increased regulations or changes in applicable laws and regulations and the manner in which they are interpreted or enforced in Kuwait may impose significant additional costs on the subsidiaries and associates and have a material adverse effect on the Issuer's business, financial condition, results of operations or future prospects. Furthermore, noncompliance by the Issuer or its subsidiaries and associates with any applicable regulations could expose it to potential liabilities and fines, which may be significant.

In order to carry out and expand its businesses, it is necessary for the Issuer to maintain or obtain a variety of licenses, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licenses, permits approvals and consents are often lengthy, complex, unpredictable and costly. If the Issuer or its subsidiaries and associates are unable, to maintain or obtain the relevant licenses, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

Other Risks

The interests of the major shareholders might occasionally conflict with those of the small shareholders

Major shareholders of the Group might collaborate, among themselves, or with other shareholders, to block some measures or resolutions proposed by the Group's shareholders in the Annual Ordinary General Meetings (AGM) or Extraordinary General Meetings (EGM). Naturally, investors should be aware that the interests of major shareholders in the Group may sometimes conflict with minority shareholders, and in that case, affect some shareholders as a result. For more on the protection of the rights of shareholders, see – "Corporate Governance, Rule Eight" above.

RISKS RELATING TO THE REGION IN WHICH THE GROUP OPERATES

Kuwait's legal system continues to develop and this may create an uncertain environment for investment and business activity

Kuwait is passing through various stages of developing its legal and regulatory institutions, which is a characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances, it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Kuwait and the GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Kuwait may have a material adverse effect on the rights of holders of the stocks or the investments that the Issuer has made or may make in the future, which may in turn have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

Legal and Regulatory Systems

Legal and regulatory systems may create an uncertain environment for investment and business activities in the MENA region which is progressing in the development of governing institutions and legal and regulatory systems that are not yet as firmly established as they are in Western Europe and the United States. Kuwait, along with other countries within the GCC region, has enacted measures to promote greater efficiency and certainty within its legal and regulatory systems. Among those measures, Kuwait and countries within the GCC region have assumed obligations under the General Agreement on Tariffs and Trade ("GATT") (as administered by the World Trade Organization ("WTO") and Kuwait has already enacted legislation, inter alia, to allow foreign ownership. However, Kuwait may experience changes in its economy and government policies (including, without limitation, policies relating to the continued extension of the rights of foreign ownership pursuant to Kuwait's GATT/WTO obligations) that may affect the environment in which the Issuer or its subsidiaries and associates operate.

Impact of regulatory changes

The Issuer is subject to the laws, regulations, administrative actions and policies of Kuwait and each other jurisdiction in which it operates. These regulations may limit the Issuer's activities and changes in supervision and regulation, in particular in Kuwait, could materially affect the Issuer's business, financial condition, results of operations or future prospects. Although the Issuer works closely with its regulators and continually monitors the situation, future changes in the regulation, fiscal or other policies cannot be predicted and are beyond the control of the Issuer.

Kuwait Bankruptcy rules

Any claim or rights, by or on behalf of shareholders, in the Shares to be issued, will rank pari passu, without any preference, to the outstanding shares of the Issuer. In the event of the Issuer's insolvency, Kuwaiti bankruptcy rules under the Insolvency Law No. 71 of 2020 and the enforcement procedures over the assets of the Group may adversely affect the Issuer's ability to perform its obligations to the shareholders or return the funds of the shareholders in the event of insolvency. According to the law, shareholders' claims are ranked below priority claims, to the benefit of the state, government, tax and labor authorities, secured creditors and other creditors of the Issuer.

Obtaining a final bankruptcy judgment in Kuwait can take several years. There is, therefore, no certainty as to the shareholders receiving, in the event of the Group being pronounced bankrupt, their claims in full or at all.

Force Majeure

Some unpredictable events may happen which in turn may affect the ability of the Issuer or its subsidiaries and associates to meet its obligations with respect to the current and planned operations. Force majeure events include but are not limited to accidents, wars, revolutions, riots, civil resurrection, acts of god, natural disasters, strikes or labor disputes.

There is no guarantee of steady financial performance for the Issuer or its subsidiaries and associates in the future. The financial performance of the Issuer and its subsidiaries and associates has been favored by robust economic conditions since inception in Kuwait and GCC states, during such period on the background of relative political stability and steady increase in oil prices. There is no guarantee of steady financial performance of the Issuer or its subsidiaries and associates in the future or growth and stability in the markets in which the Issuer operates and invests. In view of the overlapping nature of the global financial markets, investors must be mindful that the activities and financial performance of the Issuer may be affected and influenced by the negative effects of other related political economic and other developments within and outside of the GCC states and the Middle East. If the Issuer or its subsidiaries and associates are unable to achieve satisfactory or reasonable investment returns on steady and sustainable basis, existing Shareholders may decide to reduce or liquidate their investments. Further, the Group is exposed to the risks of mismanagement, fraud, or failure.

The Issuer continues to upgrade its systems in keeping with the potential growth, increased complexity and specialization in various assets and investments management. Although the Issuer and its subsidiaries and associates believe that it has proper financial and administrative controls, any mismanagement, or act of fraud, circumvention, malfunctioning or failure in carrying out the operational responsibilities of the Issuer or the negative publicity caused by such acts, or a charge laid out by any other party may have negative impact on the ability of the Issuer to maintain income from various credit portfolios and investments, or its ability to grow such income.

RISKS RELATED TO THE OFFERING SHARES

Investing in securities in developing and emerging markets generally involves a higher degree of risk

Investors in developing and emerging markets, such as Kuwait, should be aware that these markets are subject to greater risks than developed markets including, but not limited to, higher volatility, limited liquidity, and changes in the political and economic environment. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the stocks, will not be affected negatively by events elsewhere, especially in emerging markets.

Specific risks in Kuwait and the Middle East and North Africa region that could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects include the following:

- Political, economic or social instability;
- External acts of warfare, civil clashes or other hostilities or conflict;
- Domestic unrest or violence;
- Increases in inflation and the cost of living;
- Changing tax regimes and tax laws, including the imposition of taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions;
- Government interventions and protectionism;
- Potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- Difficulties in staffing and managing operations;
- Legal systems which could make it difficult for the Issuer to enforce its intellectual property and contractual rights;
- Restrictions on the right to convert or repatriate currency or export assets;
- Greater risk of uncollectible accounts and longer collection cycles;
- Currency fluctuations; and
- Logistical and communications challenges.

Accordingly, prospective investors should exercise particular care in evaluating the risks involved, and must determine for themselves whether, in light of those risks, an investment in the stocks is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully comprehend the significance of the risk involved.

Suitability of investment

Each potential investor in the stocks must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the stocks, the merits and risks of investing in the stocks, and the information contained in this Prospectus;
- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the stocks and the impact the stocks will have on its overall investment portfolio;
- Understand thoroughly the terms of the stocks and be familiar with the behavior of any relevant financial markets; and
- Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Liquidity and volatility in the share price

The Issuer's shares are listed on Boursa Kuwait. Investors may not be able to resell their shares (including the Offering Shares) at or above the Offer Price, or at all, as the market price of the Shares after the Offering may be adversely affected by factors within and beyond the Issuer's control, including, but not limited to, variations in the Issuer's results of operations, market conditions, or changes in government regulations.

Investors should be aware that the value of an investment in the Shares (including the Offering Shares) may decline, as well as rise. The market price of the Offering Shares could be volatile and subject to significant fluctuations due to a change in sentiment in the market regarding the Offering Shares.

Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected market prices for securities, and which may be unrelated to the Issuer's performance or prospects. Furthermore, the Issuer's operating results and prospects from time to time may be below the expectation of market analysts and the market generally. Any of these events could result in a decline in the market price of the Group's shares.

Dividend payments

The Offering Shares will be entitled to receive any dividends declared by the Issuer in the future. The Issuer intends to maintain a dividend policy which has due regard to sustainable levels of dividend distribution and which reflects the Issuer's view on the outlook for sustainable recurring earnings. The Issuer does not aim to create reserves that are not available for distribution to Shareholders other than those required by law. The Issuer intends to pay dividends when the Board of Directors considers it appropriate). Furthermore, the dividend policy of the Issuer may change from time to time.

Dilution of existing shareholdings

If Qualified Shareholders do not take up their rights by the latest date for receipt of applications and payments in full that are set out in this Prospectus, their proportionate ownership and voting interests in the Issuer will be reduced and the percentage that their current shares represent in the share capital of the Issuer immediately following the Offering will be reduced accordingly. In addition, Qualified Shareholders as at the Record Date who take up their rights in full may suffer some dilution of their interest in the Issuer as their entitlement will be rounded down to the nearest whole number of Offering Shares. Such Shareholders may, in the event of availability of unsubscribed Offering Shares, be able to subscribe for additional Offering Shares, which may enable them to maintain or increase their proportionate interest in the Issuer.

Risks of unprofitability or not exercising Preemption Rights

A higher trading price for the Group's shares does not guarantee profitability for shareholders. Moreover, there is no guarantee of sufficient demand in the market for investors to exercise their Preemption Rights or be compensated by the Group for not exercising their Preemption Rights. In the event that investors are unable to sell their Preemption Rights by the end of the 5th Business day prior to the closing of the Subscription Period, investors may be losing these rights to subscribe in the Offering Shares. In the event investors do not subscribe, or fail to follow the procedures for subscription in the Offering Shares, there are no guarantees investors will be compensated for failure of exercising their Preemption Rights and thus incurring potential losses. Accordingly, investors should review the information on the mechanism for the listing and trading of Preemption Rights on Boursa Kuwait, the Kuwait Companies Law no. 1 of 2016, and the provisions of the executive regulations of the CMA. Investors must be aware of factors that may potentially affect them, to ensure that any investment decision is based on awareness and a full understanding of the nature of the investment and the risks associated with it.

Risks of insufficient demand for Preemption Rights or the Group's shares, or withdrawal from subscription

There is no guarantee that there will be sufficient demand for Preemption Rights during the Subscription

Period in the Offering Shares to allow preemption rightsholders to sell their rights at a profit. Moreover, there is no guarantee there will be sufficient demand for the Group's shares by Qualified Shareholders during the Subscription Period, and in this case, preemption rightsholders will not be compensated for failing to exercise their rights. In addition, there is no guarantee of sufficient market demand for the shares acquired by the Subscriber through the exercise of their Preemption Rights, or through the remaining shares offered, or through the market, which will in turn negatively affect the share price, the Group's profitability, and the shareholders. Besides, there is no guarantee the Offering will be successful, or is not cancelled, and in the event of a cancellation, the preemption rightsholders will not be able to exercise their right to subscribe in the Shares which may cause the preemption right holder to forfeit the purchase price of the Preemption Right, and will not have the right of recourse against the Group or the Subscription Agent or and the Clearing and Depositary Agent for any claim or compensation. The listing and trading of the Preemption Rights in respect of the Offering is subject to the Group's shares continuing to be listed on Boursa Kuwait during the Subscription Period in the Preemption Rights.

Risks of speculation in Preemption Rights

Speculation in Preemption Rights is subject to risks that could lead to material losses. Additionally, there is a positive relation between the Group's share price and the reference price, and based on the daily price trading limits on the stock. In the event that the speculator does not sell their Preemption Rights or exercise it before the end of the trading period, the speculator will be forced to lose these rights and thus be exposed to potential losses.

Taxation risks on payments

The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Offering Shares which are "non-GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances.

The application and enforcement of the Kuwaiti income tax regime to holders of the Offering Shares which are "non-GCC corporate entities" (as defined in "Taxation") is uncertain. There is a possibility that any holder of the Issue Shares which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future, should the Department of Income Tax (the "DIT") at the Kuwaiti Ministry of Finance and/or the Kuwaiti courts determine that the income received by a holder of the Offering Shares in respect of any Offering Shares is taxable notwithstanding the Tax Exemptions (as defined and explained in "Taxation").

As at the date of this Prospectus, there has been no official statement made publicly by the DIT regarding its interpretation of, and/ or application of, the Tax Exemptions in the context of a transaction such as the issue of the Offering Shares. Similarly, the Kuwaiti courts (who will be the final arbiters on the matter) have not been required to interpret such requirement to date. Although there has been no precedent of the DIT enforcing the imposition of income tax on non-GCC corporate entity shareholders in the circumstances described above, it is not possible to state definitively how the DIT and/or the Kuwaiti courts may implement or enforce the Taxation Laws (as defined in "Taxation") and the Tax Exemption in practice. Furthermore, the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally
.
If the DIT and/or the Kuwaiti courts were to determine that the income received by a holder of Offering Shares which is a non-GCC corporate entity in respect of any Offering Shares held by it is taxable, then such non- GCC corporate entity would become subject to the Kuwaiti income tax regime, which requires income tax (at a rate of 15 per cent.) to be levied on the net income and possibly capital gains of such

non-GCC corporate entities, and imposes certain disclosure and reporting obligations on persons subject to such regime (which would include an obligation to file a tax return in Kuwait). In addition, a deduction of five per cent. of the amount of any payments made by the Issuer directly to the holders of the Offering Shares may be applied in certain circumstances, pending resolution of their tax position. See "Taxation" – Retention for further details.

Whilst the application and enforcement of the Kuwaiti income tax regime remains uncertain, there can be no assurance that holders of Offering Shares which are "non-GCC corporate entities" will not become subject to such regime in the circumstances described above. Prospective subscribers for the Offering Shares are advised to consult their tax advisers as to the consequences under Kuwaiti and other applicable tax laws of acquiring, holding and disposing of the Offering Shares and receiving payments under the Offering Shares. See "**Taxation**" for further details.

Kuwait may introduce Corporate Income Tax on Kuwaiti and other Companies, as well as Value Added Taxes

The Issuer is not currently subject to corporation tax on its earnings within Kuwait. However, on 14 March 2016 the Kuwait Cabinet of Ministers approved plans to implement a corporate tax of 10 per cent. On the annual profits of Kuwaiti incorporated entities (the "Proposed Corporate Income Tax"), including Partnerships, Funds, Sole Partnership and Trusts, similar companies established under the laws of a foreign country and individuals, enterprises or sole traders (other than incorporated companies) who are carrying on a business in Kuwait which may be applicable to the Issuer for future financial years. As at the date of this Prospectus, the Proposed Corporate Income Tax does not have the force of law until such time as it has been approved by the Kuwaiti Parliament, signed by the Amir, and published in the Official Gazette. It is currently uncertain as to whether the Proposed Corporate Income Tax will be promulgated into law in the form in which it has been proposed by the Cabinet of Ministers, or at all. If the Kuwaiti authorities impose new tax regimes on the Issuer (whether in the form of the Proposed Corporate Income Tax or otherwise) or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Issuer's business, results of operations, cash flows and financial condition. The Proposed Corporate Income Tax also provides for Withholding taxes (WHT) to be imposed on payments to nonresident entities. Currently the Proposed Corporate Income Tax provides for WHT on royalties, interest and technical fees at 10% and insurance premiums at 5%, but not on dividends.

It is expected that the State of Kuwait will implement a value-added tax law in the coming periods, while a value-added tax will be implemented in most of the Gulf Cooperation Council countries. Although the application of this tax on financial services has not been confirmed, the application may cause economic effects on the Group's financial position, business results and prospects.

Change in Law

No assurance can be given as to the impact of any possible change to Kuwaiti law or to administrative practice after the date of the Prospectus, nor can any assurance by given as to whether any such change could adversely affect the ability of the Issuer to make payments and/or make deliveries under the Offering Shares, as applicable.

The application of the Kuwaiti income tax regime on stock dividends.

Article 150 (bis) of Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and the Regulating of Securities Activities, introduced pursuant to Law No. 22 of 2015 ("Article 150 (bis)"), provides that, without prejudice to the tax on profits arising from the disposal of securities issued by companies listed on Boursa Kuwait, the returns in respect of securities, bonds, financial sukuk and all other similar securities, regardless of the Issuer, are exempt from taxes. However, there is no guarantee that the Article 150 (bis) will not be amended in the future and hence the payments made by the Group relating to the Shares may be subject to taxes if the article is amended.

GCC countries may form a monetary union

There exists a future possibility of the Kingdom of Bahrain, the State of Kuwait, the Kingdom of Saudi Arabia and the State of Qatar abandon their national currencies for a single Gulf currency. In the event of adopting a single Gulf currency, the necessary convergence and adjustment of laws, policies and procedures will create profound changes in the basic economic and political structure in every GCC country. So far, no timetable for the development of monetary union has been announced with no details available of new legislations or policies; nevertheless, potential shareholders and investors should be aware that the new legislations and any resulting change in the monetary policies and procedures in Kuwait can affect the Issuer's ability to fulfill its obligations towards its shareholders as it related to the Shares.

TAXATION

The following is a general description of certain Kuwaiti tax considerations relating to the Issue Shares. This description is based on the Issuer's understanding of the historical and current interpretations and practices of tax laws in the State of Kuwait by the Kuwaiti Income Tax Department. It does not purport to be a complete analysis of all tax considerations relating to the Shares. Prospective subscribers should refer to their tax advisors to determine the consequences of the tax laws in force in the countries in which they reside for tax purposes, as well as the tax laws in the State of Kuwait regarding the purchase and ownership of shares, their disposal and receipt of their returns and/or any other amounts under the shares. This summary is based on the laws in force on the date of this Prospectus and is subject to any amendment to the law after that date (as well as any change in the interpretation and practices of the Kuwait Income Tax Administration for that law).

Returns

The Issuer undertakes that all returns related to shares are made under the current practice without withholding or deduction for the account of taxes, fees, local taxes or government fees of whatever nature imposed by the State of Kuwait or imposed on its behalf or imposed by any official body in the State of Kuwait, or by any official body in the State of Kuwait that has the authority to impose taxes if the shareholder is an individual or a Kuwaiti company.

Income Tax

Income tax is imposed at the rate of 15% on the net income and capital gains realized by any establishment that conducts business or trade in the State of Kuwait. Practically, the Income Tax Department does not impose taxes on Kuwaiti companies whose capital is fully owned by Kuwaiti citizens or by citizens of the GCC countries. Income tax is imposed on any foreign corporate body that is a shareholder in a Kuwaiti company. Despite this, the Executive Bylaws of Law No. 2 of 2008 amending some provisions of Kuwait Income Tax Decree No. 3 of 1955 (hereinafter referred to as the "Regulations") stipulates that an income tax shall be imposed on income earned "from any contract executed fully or partly in the State of Kuwait" and "the income generated from lending money within the State of Kuwait".

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

For the purposes of this section, the term "corporation" includes general partnerships, limited partnerships, or joint ventures. The term "corporate body" that is subject to tax does not include any corporate body established in one of the member states of the GCC and fully owned by citizens of the GCC countries only. The GCC countries at present include the State of Kuwait, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

Stamp Fees

According to the provisions of the tax laws in force in the State of Kuwait, shareholders are not entitled to pay any stamp fees, registration fees, or similar fees in the State of Kuwait in connection with the issuance of shares.

The Contribution of the Issuer to the Kuwait Foundation for the Advancement of Science (KFAS)

According to the Emiri Decree of 12 December 1976, and its amendments, the Issuer is obliged, like other

Kuwaiti shareholding companies, to pay an annual contribution of 1% (one percent) of its annual net profits (after deductions for the Issuer's legal reserve) to the Kuwait Foundation for the Advancement of Sciences.

Zakat

The Issuer is obliged to pay 1% (one percent) of its net profits as zakat in accordance with Law No. 46 of 2006 and Ministerial Resolution No. 58 of 2007, and their amendments.

Tax to support the national employment program

As a result of being a listed company on Boursa Kuwait, the Issuer is obliged to pay 2.5% (two and a half percent) of its net profits to the National Labor Support Program in accordance with Law No. 19 of 2000.

Tax exemption in the Capital Markets Authority Law

It should be noted that Article 150-bis of the Capital Markets Authority Law stipulates that: "Without prejudice to the tax exemptions established on profits from the disposal of securities issued by listed companies in the stock market, returns on securities, bonds and financing instruments are exempted from tax, and all other similar securities, regardless its Issuer.

GENERAL INFORMATION

Capital Markets Authority

The Capital Markets Authority in Kuwait is the regulating authority in charge of regulating the issuance of securities in Kuwait and to issue the required licenses and approvals for the Offering, as per the Law No. 7 of 2010 and its executive bylaws as amended.

Change in Financial Position

Save as disclosed in this Prospectus, there has been no material adverse change in the financial position of the Issuer since 31 December 2020 the date of its latest audited financial statements.

Auditors

The Group's appointed Auditors are Grant Thornton - Al-Qatami, Al-Aiban & Partners.

The Group's financials for the years ended 31 December 2017, 31 December 2018, 31 December 2019, and 31 December 2020 have been audited by Grant Thornton - Al-Qatami, Al-Aiban & Partners with license No. 50-A for 2017, 2018 and 2019, and license No. 94-A for 2020.

The Group's financials for the years ended 31 December 2016 have been jointly audited by Grant Thornton - Al-Qatami, Al-Aiban & Partners with license No. 50-A and Parker Randall (Allied Accountants) – Abdul Latif Al-Majid & Co. with license No.70-A.

The Group's financials for the period ended 30 September 2021 has been reviewed by Grant Thornton - Al-Qatami, Al-Aiban & Partners with license No. 94-A.

Resolution of the extraordinary general assembly and Board of Directors

The Issue Shares shall be issued pursuant to the Law No. 7 Of 2010 and its Executive Bylaws issued pursuant to the resolution No. 72 of 2015, as amended and the Companies Law No. 1 of 2016 and its executive bylaws.

Approval of the issuance of the Issue Shares has been granted by the extraordinary general assembly meeting held on 20 December 2021, which authorized the Board of Directors to increase the issued capital within the limits of the authorized capital. This has been published in the Official Gazette with issue number 1567 dated 2/1/2022 and annotated in the commercial register of the Issuer with the Ministry of Commerce and Industry on 11/1/2022. The Issuer also obtained the approval of the Capital Markets Authority in the State of Kuwait to increase the capital and issue shares on 24 February 2022 and as shown in this Prospectus on 10 March 2022.

Official Consent

Approval to the issuance of the Issue Shares has been granted by the CMA 24 February 2022. The approval on this Prospectus has been granted by the CMA 10 March 2022.

Shareholders Register

The Issuer maintains its shareholders register through the Kuwait Clearing Company K.S.C in accordance with the Companies Law No.1 of 2016 and its executive bylaws as amended.

Clearance and Settlement

The clearing of the Shares' transaction shall be completed through the Kuwait Clearing Company K.S.C

Control/Supervision over the Issuer

The Issuer was established in the State of Kuwait on 10 August 1960 and is subject to the Companies Law No.1 of 2016 and its executive bylaws as amended. The Issuer is subject to the control/supervision of the Ministry of Commerce and Industry in Kuwait and the Capital Markets Authority and to Boursa Kuwait as a listed company according to Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and the organization of the securities' activities and its executive bylaws as amended.

INFORMATION ON THE ISSUER AND ITS MANAGEMENT

The legal form of the Issuer and the legislation under which it was established and operated

National Industries Group Holding was established as a Kuwaiti public joint stock Company under the Emiri Decree No. 8/1960 on 10 August 1960, and registered with the Commercial Register under No. 8392 on 23 April 2003, and has been listed on Boursa Kuwait since 29 September 1984, subject to the provisions of the Kuwaiti Companies Law No. 1 of 2016 and its executive bylaws and subject to the supervision of the Ministry of Commerce and Industry of the State of Kuwait in accordance with the provisions of the aforementioned law. The Issuer is also subject to the supervision of the Kuwait Capital Markets Authority and Boursa Kuwait as a listed Company. In accordance with the provisions of Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority, the regulation of securities activity and its executive bylaws as amended.

Summary of the provisions of the Issuer's article of association:

Objectives of the Group:

1. Owning shares of Kuwaiti or foreign joint stock companies as well as owning shares or stakes in Kuwaiti or foreign limited liability companies or participating in the establishment of companies of both types and lending, managing, and guarantying before third parties.
2. Lending to companies in which they own their shares and act as guarantors for them before third parties, in which case the holding company's participation in the capital of the borrowing companies should not be less than 20%.
3. Owning industrial property rights such as patents, industrial trademarks, industrial duties, or any other related rights and leasing to other companies for exploitation both inside and outside Kuwait.
4. Owning the tangibles and real estate necessary to perform their activities within the limits permitted in accordance with the law.

The Group may have an interest or engage in any way with bodies that engage in similar businesses or may cooperate in achieving their purposes in Kuwait or abroad and may purchase or join them.

Management of the Issuer

The Issuer is managed by a board of nine directors to be elected by the general assembly through secret voting. Membership of the Board of Directors is for a period of three years renewable, and if a new Board of Directors cannot be elected on time, the existing board will continue to manage the Issuer's business until a new Board of Directors is elected.

The Board of Directors may carry out all the work that the management of the Issuer requires in accordance with its purposes. This authority is limited only by the provisions of the law, the articles of association and/or the general assembly resolutions. The Board of Directors has the full authority to borrow, mortgage the Issuer's real estate, hold guarantees, and accept arbitration, reconciliation, and donations.

The Board of Directors is to elect via through secret voting its Chairman and Vice Chairman. The Chairman of the Board of Directors represents the Issuer before third parties and before the judiciary, as well as before other parties as indicated by the Group's articles of association. The Chairman's signature is considered to be the signature of the Board of Directors in the Issuer's relationship with others, and he has to implement the decisions of the Board and abide by its recommendations. The Vice Chairman replaces the Chairman in his absence, or in the existence of any barrier to him exercising his competences.

The Board of Directors meets at least six times annually, and more meetings may be agreed upon. A meeting is valid only if it is attended by at least five members of the Board of Directors and it may be held using modern means of communication. Decisions may be taken by circulation with the consent of all members of the Board of Directors.

The Issuer should have a Chief Executive Officer appointed by the Board of Directors, entitled to manage the Group, and the Board shall determine his compensation and powers. The Chairman, Vice Chairman or CEO have the right to solely sign on behalf of the company.

Share Capital of the Company

The Issuer's authorized capital is KD 300,000,000, and its issued, and paid-up capital is KD 149,923,801.400 distributed at KD 1,499,238,014 nominal shares with a nominal value of 100 fils per share as at 30 September 2021.

NI Group
National Industries Group
(Holding)

Articles and Memorandum of Association

National Industries Group Holding K.P.S.C.

State of Kuwait دولة الكويت
بسم الله

صورة طبق الأصل

نموذج رقم ٩٣

نحن رئيس العدل نصادق على صحة توقيع كاتب العدل المبين بهذه الورقة .

سجل	:	العقود
الرقم المسلسل	:	٨٧٤
رقم التصديق	:	
رقم ايصال الرسوم	:	

حكومة الكويت
دائرة العدل
قسم التوثيق

كاتب العدل

عقد تأسيس
شركة الصناعات الوطنية
شركة مساهمة كويتية
* * *

في يوم الخميس ١٩ جماد الثاني سنة ١٣٨٠ هـ الموافق ٨ ديسمبر سنة ١٩٦٠ .
أمامي انا كامل محمد الجندي كاتب عدل الكويت .
وبحضور كل من :-
١) السيد يوسف محمد محمود اسماعيل اردني الجنسية – يقيم بالكويت .
٢) السيد خالد صدر الدين ابو السعود اردني الجنسية – ومقيم بالكويت .
الشاهدين الحائزين لكافة الصفات المطلوبة قانونا والمثبتين لشخصية الحاضرين .
فيما بين الموقعين ادناه :-
سعادة رئيس المالية والاقتصاد ممثلا عن حكومة الكويت ، والسادة – محمود الجاسم واخوانه . ومحمد العبد الله الربيعة ، وعبد الله المحمد الربيعة ، ويوسف ابراهيم وعبد الله الغانم ، وعبد المحسن فيصل التويني ، وحسين عبد الله الرديان ، وخالد العيسى الصالح ، وعبد اللطيف العبد الله المحري ، وحمود الجاسم الدبوس ، وسعد نصار الشريعان ، ومساعد الصالح وخالد فليح العلي الفليج . جميعهم من الجنسية الكويتية .

لقد تم الاتفاق على ما يأتي –
اولا – اتفق الموقعون على ان يؤلفوا منهم جماعة الغرض منها انشاء شركة مساهمة بترخيص من حكومة الكويت وطبقا لاحكام قانون الشركات التجارية وللنظام الاساسي الملحق بهذا العقد تدعى –

" شركة الصناعات الوطنية "
(شركة مساهمة كويتية)

ثانيا – غرض هذه الشركة هو –
شراء مصنع الطابوق الرملي الجيري ، وشراء مصنع منتجات الاسمنت الحكومي ، وشراء او انشاء اية مصانع اخرى ، وادارة هذه المصانع وتصريف منتجاتها في داخل البلاد وخارجها .

١

ثالثا – مركز الشركة ومحلها القانوني مدينة الكويت ، ويجوز لمجلس الادارة أن ينشئ لها فروعا او توكيلات في الكويت او في الخارج .

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رابعـــا ــ المـــدة المحددة لهذه الشركة خمس وعشرون سنة ابتداء من تاريـــخ المرسوم الاميرى المرخص في تأسيسها ويجوز مدها بقرار من الجمعية العامة غير العادية ·

خامسا ــ حـــدد رأسمال الشركة بمبلغ (٢٠,٠٠٠,٠٠٠) عشرون مليون روبية ، موزع على (٢٠٠٠٠٠) مائتي الـــف سهـــم قيمة كل سهم (١٠٠) روبيــة · وقد اكتتب الاعضاء المؤسسون في رأس المال المذكور على الوجه التالي ـ

		عدد الاسهم	القيمة بالروبيات
١ـ	حكومة الكويـــــت	١٠٢٠٠٠	١٠٢٠٠٠٠٠
٢ـ	محمود الجاسم واخوانه	١٠٠٠	١٠٠٠٠٠
٣ـ	محمد العبد الله الربيعة	١٠٠٠	١٠٠٠٠٠
		١٠٤٠٠٠	١٠٤٠٠٠٠٠
٤ـ	عبد الله محمد الربيعة	١٠٠٠	١٠٠٠٠٠
٥ـ	يوسف ابراهيم وعبد الله الغانم	١٠٠٠	١٠٠٠٠٠
٦ـ	عبد المحسن فيصل التويني	١٠٠٠	١٠٠٠٠٠
٧ـ	حسين قلردعان	١٠٠٠	١٠٠٠٠٠
٨ـ	خالد العيسى الصالـــح	١٠٠٠	١٠٠٠٠٠
٩ـ	عبد اللطيف العبد الله العجرى	٣٠٠	٣٠٠٠٠
١٠ـ	حمود الجاسم الدبوس	١٠٠٠	١٠٠٠٠٠
١١ـ	سعد الشريعـــان	١٠٠٠	١٠٠٠٠٠
١٢ـ	مساعد الصالـــــح	١٠٠٠	١٠٠٠٠٠
١٣ـ	خالد فليج العلي الفليج	١٠٠٠	١٠٠٠٠٠
		١١٣٣٠٠	١١٣٣٠٠٠٠

(فقط مائة وثلاثة عشر الفا وثلاثمائة سهم قيمتها احد عشر مليونا وثلاثمائة وثلاثون الفا من الروبيات لا غير) · وقد تعهد المؤسســـون بدفع نصف قيمة الاسهم التي اكتتبوا فيها وقدره (٥٦٦٥٠٠٠) روبية في بنك الكويت الوطني والبنك البريطاني للشرق الاوسط كل منهم بنسبة اكتتابه ·

سادسا ــ تطرح باقي الاسهم وعددها (٨٦٧٠٠) سهم بقيمة (٨٦٧٠٠٠٠) روبية للاكتتاب العام طبقا لاحكام النظام الاساسي

سابعا ــ المصروفات والنفقات والامور والتكاليف التي تلتزم الشركة بادائها بسبب تأسيسها هي بوجه التقريب كما يأتي ــ

	روبيـــة
رســـــوم	١٠٠٠
المصروفـــات طبع	١٥٠٠٠
عمولـــة البنكين للقيام بعمليات الاكتتاب	٢٠٠٠٠
الجملة ستة وثلاثون الف روبية وتخصم من حساب المصروفات العامة ·	٣٦٠٠٠

ثامنا ــ يقوم المؤسسون بجميع الاجـــراءات اللازمـــة لاتمام تأسيـــس الشركة نهائيـــا وبالاجراءات المتعلقة بطرح الاسهم في الاكتتاب العام · وقد ندبوا للقيام بهذه الاجراءات لجنة مؤلفة من ــ

عبد الوهـــاب محمد عبد الوهاب مندوبا عـــــن الحكومـــــــة ·

يوسف ابراهيم وعبد الله الغانـــم مندوبين عن المؤسسين من القطاع الاهلـــــي ·

خالـــد العيسى الصالـــح

حـــرر هذا العقد على (١٤) اربع عشرة نسخة ، لكل من المتعاقدين نسخـــة ، ونسخة أخرى لايداعهـــا فـــي الادارة المختصة لطلب الترخيص اللازم ·

نموذج رقم ٩٢

بسم الله

حكومة الكويت
دائرة العدل
قسم التوثيق

سجل : المحرر
الرقم المسلسل : ٨٦٣
رقم التصديق :
رقم ايصال الرسوم :

نحن رئيس العدل نصادق على صحة توقيع كاتب العدل المبين بهذه الورقة .

كاتب العدل

شركة الصناعات الوطنية

شركة مساهمة كويتية

النظام الاساسي

الفصل الأول

في تأسيس الشركة

١ ـ عناصر تأسيس الشركة

(مادة ١)

تأسست ، طبقا لاحكام قانون الشركات التجارية وهذا النظام الاساسي ، بين مالكي الاسهم المبينة احكامها فيما بعد شركة مساهمة كويتية تسمى شركة الصناعات الوطنية .

(مادة ٢)

مركز الشركة الرئيسي ومحلها القانوني في مدينة الكويت .

ويجوز لمجلس الادارة أن ينشئ لها فروعا أو توكيلات في الكويت أو في الخارج .

(مادة ٣)

المدة المحددة لهذه الشركة هي خمس وعشرون سنة ابتداء من تاريخ المرسوم الاميري المرخص في تأسيسها .

ويجوز مدها بقرار من الجمعية العامة غير العادية .

(مادة ٤)

الأغراض التي أسست من أجلها الشركة هي ما يأتي : شراء مصنع الطابوق الرملي الجيري ، ومصنع منتجات الاسمنت الحكومي وشراء وانشاء أية مصانع أخرى وادارة هذه المصانع وتصريف منتجاتها في داخل البلاد وخارجها .

ويجوز للشركة أن تكون لها مصلحة أو أن تشترك بأي وجه مع الهيئات التي تزاول اعمالا شبيهة باعمالها او التي قد تعاونها على تحقيق غرضها في الكويت أو في الخارج . ولها أن تشتري هذه الهيئات أو أن تلحقها بها .

وزارة العدل
إدارة التوثيق

دائرة العدل
كاتب العدل

١١٢ (١١

٢ ـ رأس مال الشركة :

(مادة ٥)

حدد رأس مال الشركة بمبلغ عشرين مليون روبية موزع على مائتي الف سهم قيمة كل سهم مائة روبية .

(مادة ٦)

اسهم الشركة اسمية ، ولا يجوز لغير الكويتيين تملكها .

(مادة ٧)

يدفع النصف من قيمة الاسهم عند الاكتتاب . ،

ويجب أن يتم الوفاء بباقي قيمة كل سهم خلال سنتين على الاكثر من تاريخ مرسوم التأسيس ، وذلك في المواعيد والطريقة التي يعينها مجلس الادارة ، على أن يعلن عن مواعيد الدفع قبل حلولها بخمسة عشر يوما على الاقل . وكل مبلغ يتأخر أداؤه من الميعاد المعين تجري عليه حتما فائدة بسعر ٧ ٪ سنويا لمصلحة الشركة من يوم استحقاقه . ويحق لمجلس الادارة أن يقوم ببيع الاسهم المتأخر اداء المستحق من قيمتها لحساب المساهم المتأخر عن الدفع وعلى ذمته وتحت مسئوليته بلا حاجة الى تنبيه رسمي ، بالمزاد العلني ، ويستوفى من ثمن البيع بالاولوية على جميع الدائنين الاقساط التي لم تسدد والفوائد والنفقات ، ويرد الباقي للمساهم . فاذا لم يكف ثمن البيع ، رجعت الشركة بالباقي على المساهم في أمواله الخاصة .

(مادة ٨)

يكتتب المؤسسون الموقعون على عقد التأسيس في رأس مال الشركة باسهم يبلغ عددها ١١٣٣٠٠ سهم ويتعهدون بدفع نصف قيمة هذه الاسهم وقدره ٥٦٦٥٠٠٠ روبية في بنك الكويت الوطني والبنك البريطاني للشرق الاوسط كل منهم بنسبة اكتتابه .

(مادة ٩)

تطرح باقي الاسهم ومقدارها ٨٦٧٠٠ للاكتتاب العام لمدة شهر واحد ويجرى الاكتتاب في البنوك الاتية : بنك الكويت الوطني والبنك البريطاني للشرق الاوسط .

واذا ظهر بعد اغلاق باب الاكتتاب أنه قد جاوز عدد الاسهم المطروحة ، وزعت الاسهم على المكتتبين بنسبة ما اكتتبوا به ، بشرط الا يقل ما يحصل عليه المكتتب من الاسهم عن عشرة اسهم الا اذا كان قد اكتتب في عدد اقل فيحصل على هذا العدد .

(مادة ١٠)

لا يجوز لاي شخص أن يكتتب في اكثر من الف سهم ، كما لا يجوز أن يتملك في أي وقت أكثر من الفي سهم بغير طريق الميراث أو الوصية .

(مادة ١١)

يسلم مجلس الادارة لكل مساهم ، خلال اربعة اشهر من تاريخ اعلان قيام الشركة نهائيا ، الاسهم التي يملكها .

(مادة ١٢)

تترتب حتما على ملكية السهم قبول النظام الاساسي للشركة وقرارات جمعيتها العامة .

(مادة ١٢)

تترتب حتما على ملكية السهم قبول النظام الاساسي للشركة وقرارات جمعيتها العامه .

نموذج رقم ٩٣

بسم الله

سجـــل :

الرقـم المسلسل :

رقـم التصديق :

رقـم ايصال الرسوم :

نحن رئيس العــدل نصادق على صحة توقيع كاتب العدل المبين بهذه الورقة

نائب رئيس العدل

حكومة الكويت

دائرة العـدل

قسم التوثيق

كاتب العدل

(مـادة ١٣)

كل سهم يخول الحق في حصة معادلة لحصة غيره بلا تمييز في ملكية موجودات الشركة وفي الارباح المقتسمة على الوجه المبين فيما بعد .

(مـادة ١٤)

بما أن الاسهم اسمية فاخر مالك لها يقيد اسمه في سجل الشركة يكون له وحده الحق في قبض المبالغ المستحقة من السهم ، سواء كانت حصصا في الارباح او نصيبا في موجودات الشركة .

(مـادة ١٥)

عند زيادة رأس المال لا يجوز اصدار الاسهم الجديدة باقل من قيمتها الاسمية ، واذا اصدرت باكثر من ذلك اضيف الفرق حتما الى الاحتياطي القانوني بعد وفاء مصروفات الاصدار .

ولكل مساهم الاولوية في الاكتتاب بحصة من الاسهم الجديدة متناسبة مع عدد اسهمه وتمنح للمارسة حق الاولوية مدة خمسة عشر يوما من تاريخ نشر دعوة المساهمين لذلك .

الفصـــل الثانـــي

ادارة الشـــركـة

أ ـ مجلـــــس الادارة

(مـادة ١٦)

يتولى ادارة الشركة مجلس ادارة مؤلف من تسعة اعضاء ، يعين وزير المالية والاقتصاد خمسة منهم ، وتنتخب الجمعية العامة الاربعة الباقين ، على أن يكون اثنان منهم في مجلس الادارة الاول من بين المؤسسين من القطاع الاهلي .

(مـادة ١٧)

يعين اعضاء مجلس الادارة المنتخبون لمدة ثلاث سنوات قابلة للتجديد .

(مـادة ١٨)

يشترط في عضو مجلس الادارة أن يكون كويتي الجنسية بالولادة وأن يكون مالكا لعدد من الاسهم لا يقل عن خمسمائة سهم .

وزارة العدل
إدارة التوثيق

٥٥

فاذا كان العضو وقت انتخابه لا يملك هذا العدد من الاسهم وجب عليه خلال شهر من انتخابه أن يكون مالكا له ، والا سقطت عضويته .

ولا يسري شرط ملكية الاسهم على الاعضاء المعينين من جانب الحكومة .

(مـادة ١٩)

لا يجوز لعضو مجلس الادارة ان يكون عضوا في مجلس ادارة شركة مماثلة أو منافسة ، أو أن يكون تاجرا في تجارة مشابهة او منافسة لتجارة الشركة ، أو أن تكون له مصلحة مباشرة او غير مباشرة في العقود والصفقات التي تبرم مع الشركة او لحسابها ، أو أن يكون له مصلحة تتعارض مع مصالح الشركة ، ما لم يكن شيء من ذلك بترخيص خاص من الجمعية العامة .

(مـادة ٢٠)

اذا شغر مركز عضو في مجلس الادارة ، خلفه فيه من كان حائزا لاكثر الاصوات من المساهمين الذين لم يفوزوا بعضوية مجلس الادارة في اخر انتخاب .

اما اذا بلغت المراكز الشاغرة ربع المراكز الاصلية ، أو لم يوجد من تتوافر فيه الشروط ، فانه يتعين على مجلس ادارة الشركة دعوة الجمعية العامة لتجتمع في ميعاد شهرين من تاريخ شغر اخر مركز لتنتخب من يملأ المراكز الشاغرة .

وفي جميع هذه الاحوال يكمل العضو الجديد مدة سلفه فقط .

(مـادة ٢١)

ينتخب مجلس الادارة بالاقتراع السري رئيسا ونائبا للرئيس لمدة سنة .

ورئيس المجلس هو الذي يمثل الشركة لدى القضاء ، وعليه تنفيذ القرارات التي يصدرها المجلس .

ويقوم نائب الرئيس مقام الرئيس عند غيابه او قيام مانع به .

(مـادة ٢٢)

يجوز لمجلس الادارة أن يعين من بين أعضائه عضوا منتدبا للادارة أو أكثر ، ويحدد المجلس صلاحياتهم .

(مـادة ٢٣)

يملك التوقيع عن الشركة على انفراد كل من رئيس مجلس الادارة أو نائبه ، واعضاء مجلس الادارة المنتدبين ، وأي عضو آخر ينتدبه مجلس الادارة لهذا الغرض .

ويجوز لمجلس الادارة أن يعين مديرا عاما للشركة يحدد صلاحياته .

(مـادة ٢٤)

يجتمع مجلس الادارة مرة كل شهرين على الاقل بناء على دعوة من رئيسه ، ويجتمع ايضا اذا طلب ذلك ثلاثة من اعضائه على الاقل .

ويكون اجتماع المجلس صحيحا بحضور اغلبية اعضائه ولا يجوز الحضور بالوكالة في اجتماعات المجلس .

(مـادة ٢٥)

تصدر قرارات مجلس الادارة باغلبية الاعضاء الحاضرين ، واذا تساوت الاصوات رجح الجانب الذي فيه الرئيس .

ويعد سجل خاص تثبت فيه محاضر جلسات المجلس ، ويوقعه الرئيس .

ويجوز للعضو المعارض أن يطلب تسجيل رأيه .

(مـادة ٢٦)

اذا تخلف احد اعضاء المجلس عن حضور ثلاث جلسات متتالية بدون عذر مشروع جاز اعتباره مستقيلا بقرار من مجلس الادارة .

نموذج رقم ٩٣

بسم الله

سجـــل :

الرقـم المسلسل :

رقـم التصديق :

رقـم ايصال الرسوم :

نحن رئيس العـدل نصادق على صحة توقيع كاتب العدل المبين بهذه الورقة .

نائب رئيس العدل

حكومة الكويت
دائرة العـدل
قسم التوثيق

كاتب العدل

(مــادة ٢٧)

مع عدم الاخلال باحكام قانون الشركات التجارية تحدد الجمعية العامة العادية مكافآت اعضاء مجلس الادارة ويحدد مجلس الادارة مكافآت اعضاء مجلس الادارة المنتدبين وراتب المدير العام .

(مــادة ٢٨)

لمجلس الادارة اوسع سلطة لادارة الشركة وللقيام بجميع الاعمال التي تقتضيها ادارة الشركة وفقا لاغراضهــا ولا يحد من هذه السلطة الا ما نص عليه القانون او هذا النظام او قرارات الجمعية العامة .

ولا يجوز لمجلس الادارة بيع عقارات الشركة او رهنها او اعطاء الكفالات او عقد القروض الا بعد موافقة الجمعية العامة .

(مــادة ٢٩)

لا يلتزم اعضاء مجلس ادارة اى التزام شخصي فيما يتعلق بتعهدات الشركة بسبب قيامهم بمهام وظائفهم ضمن حدود وكالتهم .

(مــادة ٣٠)

رئيس مجلس الادارة واعضاؤه مسئولون عن اعمالهم تجاه الشركة والمساهمين والغير عن جميع اعمال الغش واساءة استعمال السلطة ، وعن كل مخالفة للقانون او لهذا النظام وعن الخطأ في الادارة .

ولا يحول دون اقامة دعوى المسئولية اقتراع من الجمعية العامة بابراء ذمة مجلس الادارة .

ج - الجمعية العامة .

(مــادة ٣١)

توجه الدعوة الى المساهمين لحضور اجتماعات الجمعية العامة - ايا كانت صفتها - بكتب مسجلة . ويجب أن تتضمن الدعوة جدول الاعمال .

يضع المؤسسون جدول اعمال الجمعية العامة منعقدة بصفة تأسيسية ، ويضع مجلس الادارة جدول اعمال الجمعية العامة منعقدة بصفة عادية او بصفة غير عادية .

وزارة العدل

(مـــادة ٣٢)

في الاحوال التي يجوز فيها عقد الجمعية العامة بناء على طلب المساهمين او مراقبي الحسابات، يضع جدول الاعمال من طلب انعقاد الجمعية، ولا يجوز بحث أية مسألة غير مدرجة في جدول الاعمال .

(مـــادة ٣٣)

لكل مساهم عدد من الاصوات يعادل عدد اسهمه، ويجوز التوكيل في حضور الاجتماع، ويمثل القصر والمحجورين النائبون عنهم قانونا .

ولا يجوز لاي عضو أن يشترك في التصويت عن نفسه أو عمن يمثله في المسائل التي تتعلق بمنفعة خاصة له، أو بخلاف قائم بينه وبين الشركة .

(مـــادة ٣٤)

يسجل المساهمون اسماءهم في سجل خاص يعد لذلك في مركز الشركة قبل الموعد المحدد لانعقاد الجمعية العامة باربع وعشرين ساعة على الاقل . ويتضمن التسجيل اسم المساهم وعدد الاسهم التي يملكها، وعدد الاسهم التي يمثلها واسماء مالكيها مع تقديم سند الوكالة .

ويعطى المساهم بطاقة لحضور الاجتماع يذكر فيها عدد الاصوات التي يستحقها اصالة ووكالة .

(مـــادة ٣٥)

تسري على النصاب الواجب توافره لصحة انعقاد الجمعية العامة بصفاتها المختلفة وعلى الاغلبية اللازمة لاتخاذ القرارات احكام قانون الشركات التجارية .

(مـــادة ٣٦)

يكون التصويت في الجمعية العامة بالطريقة التي يعينها رئيس الجلسة، إلا اذا قررت الجمعية العامة طريقة معينة للتصويت .

ويجب أن يكون التصويت سريا في انتخاب اعضاء مجلس الادارة والاقالة من العضوية .

(مـــادة ٣٧)

يدعو المؤسسون المساهمين، خلال شهر من اغلاق باب الاكتتاب، لعقد الجمعية العامة بصفتها جمعية تأسيسية ويقدمون لها تقريرا عن جميع عمليات التأسيس مع المستندات المؤيدة له .

وتتثبت الجمعية من صحة المعلومات الواردة في التقرير وموافقتها للقانون ولعقد تأسيس الشركة ونظامها الاساسي وتنتخب اعضاء مجلس الادارة الاربعة الممثلين للقطاع الاهلي ومراقبي الحسابات . وتعلن تأسيس الشركة نهائيا .

(مـــادة ٣٨)

تنعقد الجمعية العامة بصفة عادية مرة على الاقل في السنة بناء على دعوة مجلس الادارة، خلال ثلاثة اشهر من انتهاء السنة المالية للشركة .

ولمجلس الادارة دعوة هذه الجمعية كلما رأى ذلك، ويتعين عليه دعوتها كلما طلب اليه ذلك عدد من المساهمين يملكون ما لا يقل عن عشر رأس المال .

(مـــادة ٣٩)

تختص الجمعية العامة منعقدة بصفة عادية بكل ما يتعلق بأمور الشركة عدا ما احتفظ به القانون أو هذا النظام للجمعية العامة منعقدة بصفة غير عادية أو بصفتها جمعية تأسيسية .

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نموذج رقم ٩٣

بسم الله

نحن رئيس العدل نصادق على صحة
توقيع كاتب العدل المبين بهذه الورقة

نائب رئيس العدل

سجل :
الرقم المسلسل :
رقم التصديق :
رقم ايصال الرسوم :

حكومة الكويت
دائرة العدل
قسم التوثيق

كاتب العدل

(مادة ٤٠)

يتقدم مجلس الادارة الى الجمعية العامة منعقدة بصفة عادية بتقرير يتضمن بيانا وافيا عن سير أعمال الشركة وحالتها المالية والاقتصادية ، وبميزانية الشركة ، وبيانا لحساب الارباح والخسائر ، وبيانا عن مكافآت اعضاء مجلس الادارة واجور المراقبين واقتراحا بتوزيع الارباح ٠

(مادة ٤١)

تناقش الجمعية العامة منعقدة بصفة عادية تقرير مجلس الادارة وتقرر ما تراه في شأنه ٠

وتنظر في تقرير مراقبي الحسابات ٠

وتنتخب اعضاء مجلس الادارة الممثلين للقطاع الاهلي ، وتعين مراقبي حسابات للسنة المقبلة ، وتحدد مكافأتهم واجورهم ٠

(مادة ٤٢)

تجتمع الجمعية العامة بصفة غير عادية بناء على دعوة من مجلس الادارة ، أو بناء على طلب كتابي من مساهمين يحملون ما لا يقل عن ربع اسهم الشركة وفي هذه الحالة يجب على مجلس الادارة أن يدعو الجمعية خلال شهر من وصول الطلب اليه ٠

(مادة ٤٣)

المسائل الاتية لا تنظرها الا الجمعية العامة منعقدة بصفة غير عادية ٠

١ ـ تعديل عقد التأسيس او النظام الاساسي للشركة ٠

٢ ـ بيع كل المشروع الذى قامت به الشركة أو التصرف فيه بأى وجه آخر ٠

٣ ـ حل الشركة او اندماجها في شركة أو هيئة اخرى ٠

٤ ـ تخفيض رأس مال الشركة ٠

٥ ـ مد مدة الشركة ٠

جـ ـ حسابات الشركة ٠

(مادة ٤٤)

يكون للشركة مراقب حسابات او اكثر من المحاسبين القانونيين ، تعينه الجمعية العامة وتقدر اتعابه ، وعليه مراقبة حسابات السنة المالية التي عين لها ٠

(مـــادة ٤٥)

تبدأ السنة المالية للشركة من أول يناير ، وتنتهي في ٣١ ديسمبر من كل سنة .

ويستثنى من ذلك السنة المالية الاولى للشركة ، فتبدأ من تاريخ اعلان قيام الشركة نهائيا وتنتهي في ٣١ ديسمبر التالي .

(مـــادة ٤٦)

تكون للمراقب الصلاحيات وعليه الالتزامات المنصوص عليها في قانون الشركات التجارية .

وله بوجه خاص الحق في الاطلاع في أي وقت على جميع دفاتر الشركة وسجلاتها ومستنداتها ، وفي طلب البيانات التي يرى ضرورة الحصول عليها ، وله كذلك ان يحقق موجودات الشركة والتزاماتها . واذا لم يتمكن من استعمال هذه الصلاحيات ، اثبت ذلك كتابة في تقرير يقدم الى مجلس الادارة ويعرض على الجمعية العامة . وله دعوة الجمعية العامة لهذا الغرض .

(مـــادة ٤٧)

يقدم المراقب الى الجمعية العامة تقريرا يبين فيه ما اذا كانت الميزانية وحسابات الارباح والخسائر متفقة مع الواقع وتعبر بامانة ووضوح عن المركز المالي الحقيقي للشركة ، وما اذا كانت الشركة تمسك حسابات منتظمة ، وما اذا كان الجرد قد اجرى وفقا للاصول المرعية ، وما اذا كانت البيانات الواردة في تقرير مجلس الادارة متفقة مع ما هو وارد في دفاتر الشركة ، وما اذا كانت هناك مخالفات لاحكام نظام الشركة أو لاحكام القانون قد وقعت خلال السنة المالية على وجه يؤثر في نشاط الشركة او مركزها المالي مع بيان ما اذا كانت هذه المخالفات لا تزال قائمة وذلك في حدود المعلومات التي توافرت لديه .

ويكون المراقب مسئولا عن صحة البيانات الواردة في تقريره بوصفه وكيلا عن مجموع المساهمين ، ولكل مساهم اثناء عقد الجمعية العامة أن يناقش تقرير المراقب وأن يستوضحه عما ورد فيه .

(مـــادة ٤٨)

يقتطع من الارباح غير الصافية نسبة مئوية يحددها مجلس الادارة لاستهلاك موجودات الشركة أو التعويض عن نزول قيمتها ، وتستعمل هذه الاموال لشراء المواد والالات والمنشآت اللازمة او لاصلاحها . ولا يجوز توزيع هذه الاموال على المساهمين .

(مـــادة ٤٩)

توزع الارباح الصافية على الوجه الاتي :

اولا — يقتطع ١٠ ٪ تخصص لحساب الاحتياطي الاجباري .

ثانيا — يقتطع ١٠ ٪ اخرى تخصص لحساب الاحتياطي الاختياري ، ويوقف هذا الاقتطاع بقرار من الجمعية العامة العادية بناء على اقتراح مجلس الادارة .

ثالثا — يقتطع جزء من الارباح تحدده الجمعية العامة لمواجهة الالتزامات المترتبة على الشركة بموجب قوانين العمل .

رابعا — يقتطع المبلغ اللازم لمكافآت اعضاء مجلس الادارة .

خامسا — يوزع الباقي من الارباح بعد ذلك على المساهمين .

(مـــادة ٥٠)

تدفع حصص الارباح الى المساهمين في المكان وفي المواعيد التي يحددها مجلس الادارة .

نموذج رقم ٩٣

بسم الله

سجـــل :
الرقم المسلسل :
رقـم التصديق :
رقـم ايصال الرسوم :

نحن رئيس العـــدل نصادق على صحة توقيع كاتب العدل المبين بهذه الورقة .

نائب رئيس العدل

حكومة الكويت
دائرة العـــدل
قسم التوثيق

كاتب العدل

(مـــادة ٥١)

يستعمل المال الاحتياطي ، بناء على قرار مجلس الادارة ، فيما يكون اوفى بمصالح الشركة .

ولا يجوز توزيع الاحتياطي الاجباري على المساهمين ، وانما يجوز استعماله لتأمين توزيع ارباح على المساهمين تصل الى ٥ ٪ في السنوات التي لا تسمح فيها ارباح الشركة بتأمين هذا الحد .

(مـــادة ٥٢)

تودع أموال الشركة النقدية لدى بنك او عدة بنوك يعينها مجلس الادارة .

ويحدد مجلس الادارة الحد الاعلى من المال النقدي الذي يجوز لأمين الصندوق أن يحتفظ به في صندوق الشركة .

الفصـــل الثالـــث

انقضـــاء الشركة وتصفيتهـــا

(مـــادة ٥٣)

تنقضي الشركة بأحد الامور المنصوص عليها في قانون الشركات التجارية .

(مـــادة ٥٤)

تجرى تصفية اموال الشركة عند انقضائها وفقا للاحكام الواردة في قانون الشركات التجارية .

[illegible]

كاتب العدل

نمو رقم ٩٣

بسم الله

سجـــل :
الرقم المسلسل :
رقـم التصديق :
رقم ايصال الرسوم :

نحن رئيس العـــدل نصادق على صحة
توقيع كاتب العدل المبين بهذه الورقة .

حكومة الكويت
دائرة العـــدل
قسم التوثيق

كاتب العدل

=========================

المؤسسون
* * *

الاســم	الجنسيــة	التوقيــع
١- سعادة رئيس المالية والاقتصاد ممثلا عن حكومة الكويت .	كويتـــي	
٢- محمـــود الجاسم واخوانه	"	
٣- محمد العبد الله الربيعـــة	"	
٤- عبد الله المحمد الربيعة	"	
٥- يوسف ابراهيم وعبد الله الغانم	"	
٦- عبد المحسن فيصل التويني	"	
٧- حسين الردعان	"	
٨- خالد العيس الصالح	"	
٩- عبد اللطيف العبد الله المحرى	"	
١٠- حمود الجاسم الدبوس	"	
١١- سعد الشريعـــان	"	
١٢- مساعـــد الصالـــح	"	
١٣- خالـــد علي العلي الغليج	"	

وبما ذكر تحرر هذا العقد وبعد تلاوته بمعرفتي على الحاضريـــن امام الشاهديـــن وقعه الجميع امامـــي .

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كاتب العدل

وزارة العدل
إدارة التوثيق

استخرج عنه صورة طبق الاصل بناء على طلب / شركة الصناعات الوطنية
المقيد بسجل الطلبات برقم / ٢ وتاريخ ١٩٧٧/٦/٢٢

استخرج عنه صورة طبق الأصل بناء على طلب ... مصطفى عبده ... بعض
المقيد بسجل الطلبات برقم ٢٠٠٢ ... بتاريخ ١٩٩٩/١٢/١٦

استخرج عنه صورة طبق الأصل بناء على طلب ... محسن ...
المقيد بسجل الطلبات برقم ٩٩٦ وبتاريخ ٢٠٠٤/١٢/٩

استخرج عنه صورة طبق الأصل بناء على طلب ... محمد السعيد
المقيد بسجل الطلبات برقم ٤٤٤ بتاريخ ٢٠٠٥/١/١

استخرج عنه صورة طبق الأصل بناء على طلب ... سعد محمد الهل
المقيد بسجل الطلبات برقم ... ٢٠٠٦/١٢/١٧

استخرج عنه صورة طبق الاصل بناء على طلب محمد راشد سعيد المطيري
المقيد بسجل الطلبات برقم ٧٣١٤ وتاريخ ٢٠٠٧/١١/٢٢

إدارة التوثيق
صورة طبق الأصل سجلت بسجل الطلبات
برقم ٤٦٨٥ وتاريخ ٢٠٠٨/٨/١٧
الموظف المختص

الموثق
محمد النادي محمد

State of Kuwait دولة الكويت
D03339105
Kuwaiti Dinar 5 دينار كويتي

وزارة التجـــارة والصنـاعـــة

إدارة الســجــل التجـــاري

قسم السجــل التجـــاري

تأشير في الســـجــل التجـــــاري

اســــم الشركــة ونــوعهـا : شركة الصناعات الوطنية (ش.م.ك)

رقم القيد في السجل التجاري : ٨٣٩٢

بموجب كتاب من إدارة الشركات رقـم ٢٤٥ بتاريخ٣/٨/ ١٩٩٨ جرى التأشير بالـسجل التجـارى بالآتي بناء على قرار الجمعية العمومية غير العادية المنعقدة بتاريخ ١١/٥/١٩٩٧ تمت الموافقة للشركة المذكورة أعلاه على تعديل المادة رقم (١) من النظام الأساسي :

تغير اسم الشركة من شركة الصناعات الوطنية الى مجموعة الصناعات الوطنية

الكويت في : ٣ ٨ ١٩٩٨

مديـر إدارة السـجـل التجـــاري

State of Kuwait دولة الكويت
D03339125
Kuwaiti Dinar 5 دينار كويتي

وزارة التجـــارة والصـنـاعـــة

إدارة السجـل التجــاري

قسم السجل التجـاري

تأشير في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية (ش.م.ك)

رقم القيد في السجل التجاري : ٨٣٩٢

بموجب مذكرة إدارة الشركات رقم ١١٦ بتاريخ ٢٠٠٣/٤/٢٢

بناء على قرار الجمعية العمومية العاديةوالغير العادية المنعقدة بتاريخ ٢٠٠٠/٥/١٤

وبناء على المرسوم الأميري رقم ٦٣ لسنة ٢٠٠٣ فقد تمت الموافقة للشركة المذكورة أعلاه على التالي جرى التأشير بالسجل التجاري بآلاتي :-

١. الموافقة على تحويل شركة (مجموعة الصناعات الوطنية) من شركة مساهمة عامة إلى قابضة

٢. الموافقة على تعديل البند (أولا) من عقد تأسيس الشركة والمادة (١) من النظام الأساسي بجعل اسم الشركة (مجموعة الصناعات الوطنية القابضة)

٣. الموافقة على تعديل أغراض الشركة في كل بند (ثانيا) من عقد التأسيس والمادة (٤) من النظام الأساسي لتصبح كالتالي :-

أ- تملك اسهم شركات مساهمة كويتية أو أجنبية وكذلك تملك اسهم أو حصص في شركات ذات مسئولية محدودة كويتية أو أجنبية أو الإشتراك في تأسيس هذه الشركات بنوعيها وإداراتها وكفالاتها لدى الغير.

ب- إقراض الشركات التي تملك فيها اسهما وكفالاتها لدى الغير وفي هذه الحالة بتعين الأقل نسبة مشاركة الشركة القابضة المفترضة في رأس مال الشركة المقترضة عن ٢٠% على الأقل

ج- تملك حقوق الملكية الصناعية من براءات اختراع أو علامات تجارية صناعية أو رسوم صناعية أو أي حقوق أخرى تتعلق بذلك وتأجيرها لشركات أخرى لاستغلالها سواء في داخل الكويت أو خارجها

د- تملك المقولات والعقارات اللازمة لمباشرة نشاطها في الحدود المسموح بها وفقا للقانون

٤. الموافقة على تعديل عقد تأسيس الشركة ونظامها الأساسي بما يتفق والأحكام الخاصة بالشركات القابضة وفقا لنصوص المواد من (٢٢٦) الى (٢٢٩) من المرسوم بقانون رقم ١٥ لسنة ١٩٦٠ باصدار قانون الشركات التجارية وتعديلاته.

الكويت في : ٢٠٠٣/٤/٢٣

مدير إدارة السجل التجاري

رئيسة قسم السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية (ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٣٣٤ بتاريخ ٢٠١٤/٦/١١بناء على قرار الجمعية العمومية الغير عادية المنعقدة ٢٠١٤/٥/٢٨ تمت الموافقة علي مايلي :

جرى التأشير بالسجل التجاري بآلاتي :-

الموافقة على تعديل المادة ٧ من النظام الاساسي :

يقسم رأس مال الشركة إلى أسهم اسمية متساوية القيمة بحيث لا تقل القيمة الاسمية للسهم عن مائة فلس ولا يجوز تجزئة السهم، وإنما يجوز أن يشترك فيه شخصان أو أكثر- على أن يمثلهم تجاه الشركة شخص واحد - ويعتبر الشركاء في السهم مسئولين بالتضامن عن الالتزامات المترتبة على هذه الملكية.

وتدفع قيمة السهم كاملة أو على أقساط ولا يجوز أن يقل القسط الواجب السداد عند الاكتتاب عن خمسة وعشرين بالمائة من القيمة الاسمية للسهم.

ويسدد الجزء الباقي من قيمة السهم خلال مدة أقصاها خمس سنوات من تاريخ قيد الشركة في السجل التجاري، وفي المواعيد التي يحددها مجلس الإدارة.

الموافقة على تعديل المادة ٨ من النظام الاساسي :

النص بعد التعديل :

تتم تغطية زيادة رأس المال بأسهم تسدد قيمتها بإحدى الطرق التالية:

١.طرح أسهم الزيادة للاكتتاب العام.

٢.تحويل أموال من الاحتياطي الاختياري أو من الأرباح المحتجزة أو مما زاد عن الحد الأدنى للاحتياطي القانوني إلى أسهم.

٣.تحويل دين على الشركة أو السندات أو الصكوك إلى أسهم.

٤.تقديم حصة عينية.

٥.إصدار أسهم جديدة تخصص لإدخال شريك أو شركاء جدد يعرضهم مجلس الإدارة وتوافق عليهم الجمعية العامة غير العادية.

٦.أية طرق أخرى تنظمها اللائحة التنفيذية.

وفي جميع الأحوال تكون القيمة الاسمية لأسهم الزيادة مساوية للقيمة الاسمية للأسهم الأصلية.

١١ ٦ ٢٠١٤

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .

رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ٩ من النظام الاساسي :

النص بعد التعديل :

إذا كانت أسهم زيادة رأس المال مقابل تقديم حصة عينية وجب أن يتم تقويمها وفقا لأحكام المادة ١١ من قانون الشركات، وتقوم الجمعية العامة العادية مقام الجمعية التأسيسية في هذا الشأن.

الموافقة على تعديل المادة ١٠ من النظام الاساسي :

النص بعد التعديل :

في حالة تغطية الزيادة في رأس المال عن طريق تحويل دين على الشركة أو السندات أو الصكوك إلى أسهم، يتبع في هذا الشأن الأحكام المنصوص عليها في قانون الشركات وتعديلاته ولائحته التنفيذية.

الموافقة على تعديل المادة ١١ من النظام الاساسي :

النص بعد التعديل:

للجمعية العامة غير العادية، بناء على اقتراح مسبب من مجلس الإدارة، أن تقرر بعد موافقة هيئة أسواق المال تخفيض رأس مال الشركة وذلك في الحالات التالية :

١. إذا زاد رأس المال عن حاجة الشركة.
٢. إذا أصيبت الشركة بخسائر لا يحتمل تغطيتها من أرباح الشركة.
٣. الحالات الأخرى المحددة باللائحة التنفيذية لقانون الشركات.

وإذا كان قرار التخفيض بسبب زيادة رأس المال عن حاجة الشركة، يتعين على الشركة قبل تنفيذ قرار التخفيض أن تقوم بالوفاء بالديون الحالة وتقديم الضمانات الكافية للوفاء بالديون الآجلة، ويجوز لدائني الشركة في حالة عدم الوفاء بديونهم الحالة أو عدم كفاية ضمانات الديون الآجلة، الاعتراض على قرار التخفيض أمام المحكمة المختصة وفقا للمقرر باللائحة التنفيذية لقانون الشركات.

ويتم تخفيض رأس المال بإحدى الطرق التالية :

١. تخفيض القيمة الاسمية للسهم بما لا يقل عن الحد الأدنى المقرر.
٢. إلغاء عدد من الأسهم بقيمة المبلغ المقرر تخفيضه من رأس المال.
٣. شراء الشركة لعدد من أسهمها بقيمة المبلغ الذي تريد تخفيضه من رأس المال.

وتتبع الإجراءات الخاصة بذلك على النحو المبين باللائحة التنفيذية لقانون الشركات.

١١ ٦ ٢٠١٤

ط(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ١٢ من النظام الاساسي :

النص بعد التعديل :

كل سهم يخول الحق في حصة معادلة لحصة غيره بلا تمييز في ملكية موجودات الشركة وفي الأرباح المقتسمة على الوجه المبين فيما بعد.

ويجب أن تصدر الأسهم بالقيمة الاسمية، ولا يجوز إصدارها بقيمة أدنى إلا إذا وافقت عليها الجهات الرقابية.

ويجوز للجمعية العامة غير العادية أن تقرر إضافة علاوة إصدار إلى القيمة الاسمية للأسهم الجديدة، تخصص للوفاء بمصروفات الإصدار ثم تضاف إلى الاحتياطي وذلك على النحو المبين باللائحة التنفيذية.

الموافقة على تعديل المادة ١٤ من النظام الاساسي :

النص بعد التعديل :

تخضع الأوراق المالية المصدرة من الشركة لنظام الإيداع المركزي للأوراق المالية لدى وكالة المقاصة، ويعتبر إيصال إيداع الأوراق المالية لدى وكالة المقاصة سندا لملكية الورقة ويسلم كل مالك إيصال بعدد ما يملكه من أوراق مالية.

ويكون للشركة سجل خاص يحفظ لدى وكالة مقاصة، وتقيد في السجل أسماء المساهمين وجنسياتهم وموطنهم وعدد الأسهم المملوكة لكل منهم ونوعها والقيمة المدفوعة عن كل سهم.

ويتم التأشير في سجل المساهمين بأي تغييرات تطرأ على البيانات المسجلة فيه وفقاً لما تتلقاه الشركة أو وكالة المقاصة من بيانات، ولكل ذي شأن أن يطلب من الشركة أو وكالة المقاصة تزويده ببيانات من هذا السجل.

الموافقة على تعديل المادة ١٥ من النظام الاساسي :

النص بعد التعديل :

لا يجوز زيادة رأس المال إلا إذا كانت قيمة الأسهم الاصلية قد دفعت كاملة.

وإذا تقرر زيادة رأس المال عن طريق طرح أسهم للاكتتاب العام يكون للمساهمين حق الأولوية في الاكتتاب في الأسهم الجديدة بنسبة ما يملكه كل منهم من أسهم، وذلك خلال خمسة عشر يوماً من تاريخ إخطارهم بذلك (ما لم يتضمن عقد الشركة نصاً يقضي بتنازل المساهمين مقدماً عن حقهم في أولوية الاكتتاب – نص إختياري).

ويجوز للمساهم التنازل عن حق الأولوية لمساهم آخر أو للغير بمقابل مادي أو بدون مقابل وفقاً لما يتم الاتفاق عليه بين المساهم والمتنازل إليه.

وفي حالة طرح أسهم زيادة رأس المال للاكتتاب العام تكون دعوة الجمهور للاكتتاب في أسهم الشركة بناء على نشرة اكتتاب متضمنة البيانات ومستوفية للإجراءات المنصوص عليها في القانون رقم ٧ لسنة ٢٠١٠ المشار إليه.

وإذا لم تتم تغطية أسهم زيادة رأس المال جاز للجهة التي قررت الزيادة أن تقرر إما الرجوع عن الزيادة في رأس المال أو الاكتفاء بالقدر الذي تم الاكتتاب فيه.

١١ ٢٠١٤

ط(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ١٦ من النظام الاساسي :

النص بعد التعديل :

يتولى إدارة الشركة مجلس إدارة مكون من تسعة أعضاء وتكون مدة العضوية ثلاث سنوات قابلة للتجديد.

وإذا تعذر انتخاب مجلس إدارة جديد في الميعاد المحدد لذلك استمر المجلس القائم في إدارة أعمال الشركة إلى حين زوال الأسباب وانتخاب مجلس إدارة جديد.

الموافقة على تعديل المادة ١٧ من النظام الاساسي :

النص بعد التعديل :

ينتخب المساهمون أعضاء مجلس الإدارة بالتصويت السري.

ويجوز لكل مساهم سواء كان شخصاً طبيعيا أو اعتباريا تعيين ممثلين له في مجلس إدارة الشركة بنسبة ما يملكه من أسهم فيها، ويستنزل عدد أعضاء مجلس الإدارة المختارين بهذه الطريقة من مجموع أعضاء مجلس الإدارة الذين يتم انتخابهم، ولا يجوز للمساهمين الذين لهم ممثلون في مجلس الإدارة الاشتراك مع المساهمين الآخرين في انتخاب بقية أعضاء مجلس الإدارة، إلا في حدود ما زاد عن النسبة المستخدمة في تعيين ممثليه في مجلس الإدارة، ويجوز لمجموعة من المساهمين أن يتحالفوا فيما بينهم لتعيين ممثل أو أكثر عنهم في مجلس الإدارة وذلك بنسبة ملكيتهم مجتمعة.

ويكون لهؤلاء الممثلين ما للأعضاء المنتخبين من الحقوق والواجبات.

ويكون المساهم مسؤولا عن أعمال ممثليه تجاه الشركة ودائنيها ومساهميها.

الموافقة على تعديل المادة ١٨ من النظام الاساسي :

النص بعد التعديل :

يجب أن تتوافر في من يرشح لعضوية مجلس الإدارة الشروط التالية:

١.أن يكون متمتعاً بأهلية التصرف.

٢.ألا يكون قد سبق الحكم عليه في جناية بعقوبة مقيدة للحرية أو في جريمة إفلاس بالتقصير أو التدليس أو جريمة مخلة بالشرف أو الأمانة أو بعقوبة مقيدة للحرية بسبب مخالفته لأحكام قانون الشركات ما لم يكن قد رد إليه اعتباره.

٣.أن يكون مالكاً بصفة شخصية أو الشخص الذي يمثله لعدد من أسهم الشركة.

وإذا فقد عضو مجلس الإدارة أيا من الشروط المتقدمة زالت عنه صفة العضوية.

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ط(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة

إدارة السجل التجاري

قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .

رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ١٩ من النظام الاساسي :

النص بعد التعديل :

لا يجوز لرئيس مجلس الإدارة أو لأي من أعضاء المجلس، أن يجمع بين عضوية مجلس إدارة شركتين متنافستين، أو أن يشترك في أي عمل من شأنه منافسة الشركة أو أن يتجر لحسابه أو لحساب غيره في احد فروع النشاط الذي تزاوله الشركة، وإلا كان لها أن تطالبه بالتعويض أو باعتبار العمليات التي زاولها لحسابه كأنها أجريت لحساب الشركة. ما لم يكن ذلك بموافقة الجمعية العامة العادية.

ولا يجوز للشخص، ولو كان ممثلاً لشخص طبيعي أو اعتباري، أن يكون عضوا في مجلس إدارة أكثر من خمس شركات مساهمة عامة مركزها في الكويت ولا أن يكون رئيساً لمجلس الإدارة في أكثر من شركة مساهمة واحدة مركزها في الكويت، ويترتب على مخالفة هذا الشرط بطلان عضويته في الشركات التي تزيد على العدد المقرر وفقاً لحداثة التعيين فيها، وما يترتب على ذلك من آثار، وذلك مع عدم الإخلال بحقوق الغير حسن النية، ويلتزم من يخالف هذا الشرط بأن يرد إلى الشركة التي أبطلت عضويته فيها ما يكون قد حصل عليه من مكافآت أو مزايا .

ولا يجوز لرئيس أو عضو مجلس الإدارة، ولو كان ممثلاً لشخص طبيعي أو اعتباري، أن يستغل المعلومات التي وصلت إليه بحكم منصبه في الحصول على فائدة لنفسه أو لغيره، كما لا يجوز له التصرف بأي نوع من أنواع التصرفات في أسهم الشركة التي هو عضو في مجلس إدارتها طيلة مدة عضويته إلا بعد الحصول على موافقة هيئة أسواق المال.

ولا يجوز لأعضاء مجلس الإدارة أن يفصحوا إلى المساهمين في غير اجتماعات الجمعية العامة أو إلى الغير عما وقفوا عليه من أسرار الشركة بسبب مباشرتهم لإدارتها وإلا وجب عزلهم ومساءلتهم عن تعويض الأضرار الناتجة عن المخالفة .

الموافقة على تعديل المادة ٢٠ من النظام الاساسي :

النص بعد التعديل :

إذا شغر مركز عضو في مجلس الإدارة خلفه فيه من كان حائزاً لأكثر الأصوات من المساهمين الذين لم يفوزوا بعضوية مجلس الإدارة، وإذا قام مانع خلفه من يليه، ويكمل العضو الجديد مدة سلفه فقط.

أما إذا بلغت المراكز الشاغرة ربع المراكز الأصلية، فإنه يتعين على مجلس الإدارة دعوة الجمعية العامة لتجتمع في ميعاد شهرين من تاريخ شغر آخر مركز، وتنتخب من يملأ المراكز الشاغرة.

٢٠١٤ ٦ ١١

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ٢١ من النظام الاساسي :

النص بعد التعديل :

ينتخب مجلس الإدارة بالاقتراع السري رئيساً للمجلس ونائباً للرئيس ويمثل رئيس مجلس الإدارة الشركة في علاقاتها مع الغير وأمام القضاء، ويعتبر توقيعه كتوقيع مجلس الإدارة في علاقة الشركة بالغير، وعليه تنفيذ قرارات المجلس وأن يتقيد بتوصياته، ويحل نائب الرئيس محل الرئيس عند غيابه، أو قيام مانع لدية من ممارسة اختصاصاته.

ولمجلس الإدارة ان يوزع العمل بين أعضائه وفقا لطبيعة أعمال الشركة كما يجوز للمجلس أن يفوض أحد اعضائه او لجنة من بين أعضائه او احدا من الغير في القيام بعمل معين او أكثر أو الإشراف على وجه من وجوه نشاط الشركة أو في ممارسة بعض السلطات او الإختصاصات المنوطة بالمجلس.

الموافقة على تعديل المادة ٢٢ من النظام الاساسي :

النص بعد التعديل :

يكون للشركة رئيس تنفيذي أو أكثر يعينه مجلس الإدارة من غير أعضاء المجلس يناط به إدارة الشركة ويحدد المجلس مخصصاته وصلاحياته في التوقيع عن الشركة.

الموافقة على تعديل المادة ٢٣ من النظام الاساسي :

النص بعد التعديل :

يملك التوقيع عن الشركة على انفراد كل من رئيس مجلس الإدارة أو نائبه أو الرئيس التنفيذي.

الموافقة على تعديل المادة ٢٤ من النظام الاساسي :

النص بعد التعديل :

لا يكون اجتماع مجلس الإدارة صحيحاً إلا إذا حضره نصف عدد الأعضاء على ألا يقل عدد الحاضرين عن خمسة، ويجوز الإتفاق على نسبة أو عدد أكبر، والاجتماع باستخدام وسائل الاتصال الحديثة وإتخاذ قرارات بالتمرير بموافقة جميع أعضاء المجلس.

ويجب أن يجتمع مجلس الإدارة ست مرات على الأقل خلال السنة الواحدة، ويجوز الإتفاق على عدد مرات أكثر.

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ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ٢٥ من النظام الاساسي :

النص بعد التعديل :

تدون محاضر اجتماعات مجلس الإدارة وتوقع من قبل الأعضاء الحاضرين وأمين سر المجلس. وللعضو الذي لم يوافق على قرار اتخذه المجلس أن يثبت اعتراضه في محضر الإجتماع.

الموافقة على تعديل المادة ٢٧ من النظام الاساسي :

النص بعد التعديل :

لا يجوز تقدير مجموع مكافآت رئيس وأعضاء مجلس الإدارة بأكثر من عشرة بالمائة من الربح الصافي بعد استنزال الاستهلاك والاحتياطيات وتوزيع ربح لا يقل عن خمسة بالمائة من رأس المال على المساهمين (ويجوز الإتفاق على نسبة أعلى).

ويجوز توزيع مكافأة سنوية لا تزيد على ستة آلاف دينار لرئيس مجلس الإدارة ولكل عضو من أعضاء هذا المجلس من تاريخ تأسيس الشركة لحين تحقيق الأرباح التي تسمح لها بتوزيع المكافآت وفقاً لما نصت عليه الفقرة السابقة. و يجوز بقرار يصدر عن الجمعية العامة للشركة استثناء عضو مجلس الإدارة المستقل من الحد الأعلى للمكافآت المذكورة. (إذا كان في الشركة أعضاء مستقلون)

ويلتزم مجلس الإدارة بتقديم تقرير سنوي يعرض على الجمعية العامة العادية للشركة للموافقة عليه على أن يتضمن على وجه دقيق بيانا مفصلا عن المبالغ والمنافع والمزايا التي حصل عليها مجلس الإدارة أياً كانت طبيعتها ومسماها.

ولا يجوز أن يكون لمن له ممثل في مجلس الإدارة أو لرئيس أو أحد أعضاء مجلس الإدارة أو أحد أعضاء الإدارة التنفيذية أو أزواجهم أو أقاربهم من الدرجة الثانية مصلحة مباشرة أو غير مباشرة في العقود والتصرفات التي تبرم مع الشركة أو لحسابها إلا إذا كان ذلك بترخيص يصدر عن الجمعية العامة العادية.

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"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ٢٨ من النظام الاساسي :

النص بعد التعديل :

لمجلس الإدارة أن يزاول جميع الأعمال التي تقتضيها إدارة الشركة وفقاً لأغراضها ، ولا يحد من هذه السلطة إلا ما نص عليه القانون أو هذا النظام أو قرارات الجمعية العامة . ويكون للمجلس كامل السلطة في الاقتراض ورهن عقارات الشركة وعقد الكفالات وقبول التحكيم والصلح وإجراء التبرعات.

الموافقة على تعديل المادة ٢٩ من النظام الاساسي :

النص بعد التعديل :

لا يجوز للشركة ان تقرض أحد أعضاء مجلس إدارتها أو الرئيس التنفيذي أو أزواجهم أو أقاربهم حتى الدرجة الثانية أو الشركات التابعة لهم، مالم يكن هناك تفويض من الجمعية العامة العادية للشركة، وكل تصرف يتم بالمخالفة لذلك لا ينفذ في مواجهة الشركة، وذلك دون إخلال بحقوق الغير حسن النية.

الموافقة على تعديل المادة ٣٠ من النظام الاساسي :

النص بعد التعديل :

رئيس مجلس الادارة واعضاؤه مسئولون تجاه الشركه والمساهمين والغير عن جميع اعمال الغش واساءة استعمال السلطة، وعن كل مخالفة لقانون الشركات او لعقد الشركة، وعن الخطأ في الإدارة.

ولا يحول دون إقامة دعوى المسئولية إقتراع من الجمعية العامة بإبراء ذمة مجلس الإدارة، ولا يجوز لأعضاء مجلس الإدارة الإشتراك في التصويت على قرارات الجمعية العامة الخاصة بإبراء ذمتهم من المسؤولية عن إدارتهم أو التي تتعلق بمنفعة خاصة لهم أو لأزواجهم أو أقاربهم من الدرجة الأولى أو بخلاف قائم بينهم وبين الشركة.

وتكونالمسؤوليةالمنصوصعليهاأعلاهإمامسؤولية شخصية تلحق عضوا بالذات، وإما مشتركة فيما بين أعضاء مجلس الإدارة جميعا. وفي الحالة الأخيرة يكون الأعضاء مسئولين جميعا على وجه التضامن بأداء التعويض، إلا من اعترض على القرار الذي رتبالمسئوليةوأثبت اعتراضهفي المحضر.

وللشركة أن ترفع دعوى المسئولية على أعضاء مجلس الإدارة بسبب الأخطاء التي تنشأ عنها أضرار للشركة، فإذا كانت الشركة في دور التصفية تولى المصفي رفع الدعوى.

ولكل مساهم أن يرفع الدعوى منفرداً نيابة عن الشركة في حالة عدم قيام الشركة برفعها، وفي هذه الحالة يجب إختصام الشركة ليحكم لها بالتعويض إن كان له مقتض. ويجوز للمساهم رفع دعواه الشخصية بالتعويض إذا كان الخطأ قد ألحق به ضررا. ويقع باطلا كل إتفاق يقضي بغير ذلك.

١١ ٦ ٢٠١٤

ط(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ٣١ من النظام الاساسي :

النص بعد التعديل :

تنعقد الجمعية العامة العادية السنوية بناء على دعوة من مجلس الإدارة خلال الأشهر الثلاثة التالية لانتهاء السنة المالية، وذلك في الزمان والمكان اللذين يعينهما مجلس الإدارة، وللمجلس أن يدعو الجمعية العامة للاجتماع كلما دعت الضرورة إلى ذلك، وعلى مجلس الإدارة أن يوجه دعوة الجمعية للاجتماع بناء على طلب مسبب من عدد من المساهمين يملكون عشرة بالمائة من رأسمال الشركة، أو بناء على طلب مراقب الحسابات، وذلك خلال خمسة عشر يوما من تاريخ الطلب، وتعد جدول الأعمال الجهة التي تدعو إلى الاجتماع.

ويسري على إجراءات دعوة الجمعية العامة ونصاب الحضور والتصويت الأحكام الخاصة بالجمعية التأسيسية المنصوص عليها بقانون الشركات رقم ٢٥ لسنة ٢٠١٢ وتعديلاته.

ويضع المؤسسون جدول أعمال الجمعية العامة منعقدة بصفة تأسيسية، ويضع مجلس الإدارة جدول أعمال الجمعية العامة منعقدة بصفة عادية أو بصفة غير عادية.

الموافقة على تعديل المادة ٣٢ من النظام الاساسي :

النص بعد التعديل :

لا يجوز للجمعية العامة مناقشة موضوعات غير مدرجة في جدول الأعمال إلا إذا كانت من الأمور العاجلة التي طرأت بعد إعداد الجدول أو تكشفت في أثناء الاجتماع، أو إذا طلبت ذلك إحدى الجهات الرقابية أو مراقب الحسابات أو عدد من المساهمين يملكون خمسة بالمائة من رأسمال الشركة، وإذا تبين أثناء المناقشة عدم كفاية المعلومات المتعلقة ببعض المسائل المعروضة، تعين تأجيل الاجتماع مدة لا تزيد عن عشرة أيام عمل إذا طلب ذلك عدد من المساهمين يمثلون ربع أسهم رأس المال المصدر، وينعقد الاجتماع المؤجل دون الحاجة إلى إجراءات جديدة للدعوة.

الموافقة على تعديل المادة ٣٣ من النظام الاساسي :

النص بعد التعديل :

لكل مساهم أيا كان عدد أسهمه حق حضور الجمعية العامة، ويكون له عدد من الأصوات يساوي عدد الأصوات المقررة لذات الفئة من الأسهم، ولا يجوز للمساهم التصويت عن نفسه أو عمن يمثله في المسائل التي تتعلق بمنفعة خاصة له، أو بخلاف قائم بينه وبين الشركة، ويقع باطلاً كل شرط أو قرار يخالف ذلك، ويجوز للمساهم أن يوكل غيره في الحضور عنه وذلك بمقتضى توكيل خاص أو تفويض تعده الشركة لهذا الغرض.

ويجوز لمن يدعي حقاً على الأسهم يتعارض مع ما هو ثابت في سجل مساهمي الشركة أن يتقدم إلى قاضي الأمور الوقتية لاستصدار أمر على عريضة بحرمان الأسهم المتنازع عليها من التصويت لمدة يحددها القاضي الآمر أو لحين الفصل في موضوع النزاع من قبل المحكمة المختصة وذلك وفقاً للإجراءات المقررة في قانون المرافعات المدنية والتجارية.

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ط:(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ٣٤ من النظام الاساسي :

النص بعد التعديل :

يرأس اجتماع الجمعية العامة رئيس مجلس الإدارة أو نائبه أو من ينتدبه مجلس الإدارة لذلك الغرض أو من تنتخبه الجمعية العامة من المساهمين.

على مجلس الإدارة تنفيذ قرارات الجمعية العامة ما لم تكن تلك القرارات مخالفة للقانون أو عقد التأسيس أو هذا النظام.

وعلى مجلس الإدارة إعادة عرض القرارات المخالفة على الجمعية العامة في اجتماع يتم الدعوة له لمناقشة اوجه المخالفة.

الموافقة على تعديل المادة ٣٩ من النظام الاساسي :

النص بعد التعديل :

مع مراعاة أحكام القانون تختص الجمعية العامة العادية في اجتماعها السنوي بإتخاذ قرارات في المسائل التي تدخل في إختصاصاتها وعلى وجه الخصوص ما يلي:

١. تقرير مجلس الإدارة عن نشاط الشركة ومركزها المالي للسنة المالية المنتهية.
٢. تقرير مراقب الحسابات عن البيانات المالية للشركة.
٣. تقرير بأية مخالفات رصدتها الجهات الرقابية وأوقعت بشأنها جزاءات على الشركة.
٤. البيانات المالية للشركة.
٥. اقتراحات مجلس الإدارة بشأن توزيع الأرباح.
٦. إبراء ذمة أعضاء مجلس الإدارة.
٧. انتخاب أعضاء مجلس الإدارة أو عزلهم، وتحديد مكافآتهم.
٨. تعيين مراقب حسابات الشركة، وتحديد أتعابه أو تفويض مجلس الإدارة في ذلك.
٩. تعيين هيئة الرقابة الشرعية (إذا كانت الشركة تعمل وفقا لأحكام الشريعة الإسلامية)، وسماع تقرير تلك الهيئة.
١٠. تقرير التعاملات التي تمت أو ستتم مع الأطراف ذات الصلة، وتعرف الأطراف ذات الصلة طبقاً لمبادئ المحاسبة الدولية.

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ط(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية(ش٠م٠ك) قابضة .
رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على تعديل المادة ٤١ من النظام الاساسي :

النص بعد التعديل :

يجوز بقرار يصدر عن الجمعية العامة العادية للشركة إقالة رئيس أو عضو أو أكثر من أعضاء مجلس الإدارة أو حل مجلس إدارة الشركة وانتخاب مجلس جديد وذلك بناء على اقتراح يقدم بذلك من عدد من المساهمين يملكون مالا يقل عن ربع رأسمال الشركة المصدر.

وعند صدور قرار بحل مجلس الإدارة، وتعذر انتخاب مجلس جديد في ذات الاجتماع يكون للجمعية أن تقرر إما أن يستمر هذا المجلس في تسيير أمور الشركة إلى حين انتخاب المجلس الجديد أو تعيين لجنة إدارية موقتة تكون مهمتها الأساسية دعوة الجمعية لإنتخاب المجلس الجديد، وذلك خلال شهر من تعيينها.

الموافقة على تعديل المادة ٤٢ من النظام الاساسي :

النص بعد التعديل :

تجتمع الجمعية العامة غير العادية بناء على دعوة من مجلس الإدارة، أو بناء على طلب مسبب من مساهمين يمثلون خمسة عشر بالمائة من رأسمال الشركة المصدر أو من وزارة التجارة والصناعة، ويجب على مجلس الإدارة أن يدعو الجمعية العامة غير العادية للاجتماع خلال ثلاثين يوماً من تاريخ تقديم الطلب.

وإذا لم يقم مجلس الإدارة بدعوة الجمعية العامة خلال المدة المنصوص عليها بالفقرة السابقة تقوم وزارة التجارة والصناعة بالدعوة للاجتماع خلال مدة خمسة عشر يوماً من تاريخ انتهاء المدة المشار إليها في الفقرة السابقة.

ولا يكون اجتماع الجمعية العامة غير العادية صحيحاً ما لم يحضره مساهمون يمثلون ثلاثة أرباع رأسمال الشركة المصدر. فإذا لم يتوافر هذا النصاب وجهت الدعوة إلى اجتماع ثانٍ يكون صحيحاً إذا حضره من يمثل أكثر من نصف رأس المال المصدر.

وتصدر القرارات بأغلبية تزيد على نصف مجموع أسهم رأسمال الشركة المصدر.

الموافقة على تعديل المادة ٤٣ من النظام الاساسي :

النص بعد التعديل :

مع مراعاة الاختصاصات الأخرى التي ينص عليها القانون تختص الجمعية العامة غير العادية بالمسائل التالية:

١- تعديل عقد الشركة.
٢- بيع كل المشروع الذي قامت من أجله الشركة أو التصرف فيه بأي وجه آخر.
٣- حل الشركة أو اندماجها أو تحولها أو انقسامها.
٤- زيادة رأسمال الشركة أو تخفيضه.

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ط(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية (ش٠م٠ك) قابضة .

رقم القيد في السجل التجاري : ٨٣٩٢

الموافقة على إضافة المادة ٤٣ من النظام الاساسي :

كل قرار يصدر عن الجمعية العامة غير العادية لا يكون نافذاً إلا بعد إتخاذ إجراءات الشهر.ويجب الحصول على موافقة وزارة التجارة والصناعة إذا كان القرار متعلقاً باسم الشركة أو أغراضها أو رأسمالها.

الموافقة على إضافة المادة ٤٤ من النظام الاساسي :

يجوز لكل مساهم إقامة الدعوى ببطلان أي قرار يصدر عن مجلس الإدارة أو الجمعية العامة العادية أو غير العادية مخالفا للقانون أو عقد تأسيس الشركة أو هذا النظام أو كان يقصد به الإضرار بمصالح الشركة، والمطالبة بالتعويض عند الإقتضاء.كما يجوز الطعن على قرارات الجمعية العامة العادية وغير العادية التي يكون فيها إجحاف بحقوق الأقلية ويتم الطعن من قبل عدد من مساهمي الشركة يملكون خمسة عشر بالمائة من رأس مال الشركة المصدر، ولا يكونون ممن وافقوا على تلك القرارات.

الموافقة على إضافة المادة ٤٥ من النظام الاساسي :

تكون الشركة مسئولة – على سبيل التضامن – عن ديون شركاتها التابعة في حالة توافر الشروط التالية:

١. عدم كفاية أموال الشركة التابعة للوفاء بما عليها من إلتزامات.
٢. أن تتملك الشركة في الشركة التابعة نسبة من رأس مالها تمكنها من التحكم في تعيين غالبية أعضاء مجلس الإدارة أو المديرين، أو في القرارات التي تصدر عن الإدارة.
٣. أن تتخذ الشركة التابعة قرارات أو تقوم بتصرفات تستهدف مصلحة الشركة المالكة والمسيطرة عليها وتضر بمصلحة الشركة التابعة أو دائنيها، وتكون هي السبب الرئيسي في عدم قدرة الشركة التابعة على الوفاء بما عليها من إلتزامات.

وذلك كله مالم تكن الشركة القابضة مسئولة عن ديون الشركة التابعة إستنادا إلى سبب آخر.

الموافقة على إضافة المادة ٤٦ من النظام الاساسي :

يجوز للشركة أن تشتري أسهمها لحسابها في الحالات الآتية :

١. أن يكون ذلك بغرض المحافظة على استقرار سعر السهم، وبما لا يجاوز النسبة التي تحددها هيئة أسواق المال من مجموع اسهم الشركة.
٢. تخفيض رأس المال.
٣. عند إستيفاء الشركة لدين مقابل هذه الأسهم.
٤. أي حالات أخرى تحددها الهيئة.

ولا تدخل الأسهم المشتراة في مجموع أسهم الشركة في الأحوال التي تتطلب تملك المساهمين نسبة معينة من رأس المال.

وفي جميع المسائل الخاصة باحتساب النصاب اللازم لصحة اجتماع الجمعية العامة، والتصويت على القرارات بالجمعية العامة على النحو الذي تنظمه هيئة أسواق المال.

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"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الصناعات الوطنية (ش٠م٠ك) قابضة .
٨٣٩٢
رقم القيد في السجل التجاري :

الموافقة على إضافة المادة ٤٧ من النظام الاساسي :

يجوز للشركة- بعد الحصول على موافقة الجمعية العامة غير العادية - رد القيمة الاسمية لبعض أسهمها للمساهمين وتؤخذ هذه القيمة من الأرباح غير الموزعة والاحتياطي الاختياري للشركة.ويمنح أصحاب الأسهم المستهلكة أسهم تمتع يكون لها كافة الحقوق المقررة للأسهم العادية فيما عدا استرداد القيمة الاسمية عند تصفية الشركة.

الموافقة على إضافة المادة ٤٤ من النظام الاساسي :

تطبق أحكام المواد من رقم ١٧٨ وحتى رقم ٢٠٧ الواردة بقانون الشركات رقم ٢٥ لسنة ٢٠١٢ وتعديلاته ولائحته التنفيذية.

٢٠١٤ ٦ ١

"ط"(أ)

مدير إدارة السجل التجاري

NEWKUWAIT

إدارة السجل التجاري - تأشيرة السجل التجاري

الكويت في : 11/01/2022

إسم الشركة و نوعها: مجموعه الصناعات الوطنيه القابضه-(ش.م.ك) عامة

الكيان القانوني : شركة مساهمة عامة

رقم القيد في السجل التجاري: 8392

بناء علي محضر جمعية عمومية غير عادية 20/12/2021 **جرى التأشير بالسجل التجاري**

تم الموافقة علي الاتي :

زيادة رأس المال من 149,923,801.4 الي 149,923,801.4 بقيمة 0.

عقدت الشركة جمعيتها العمومية غير العادية بتاريخ 20/12/2021 ، وتم الاتفاق على ما يلي :

أولاً: زيادة رأس مال الشركة المصرح به والمصدر والمدفوع من مبلغ 149,923,801.400 د.ك (مائة وتسعة وأربعون مليون وتسعمائة وثلاثة وعشرون ألف وثمانمائة وواحد دينار كويتي و 400 فلساً كويتياً) ليصبح رأس مال الشركة المصرح به مبلغ 300,000,000 د.ك. (ثلاثمائة مليون دينار كويتي) موزعاً على 3,000,000,000 سهماً قيمة كل سهم مائة فلس وجميع الأسهم نقدية، وتفويض مجلس الإدارة بزيادة رأس المال المصدر والمدفوع بالكامل في حدود رأس المال المصرح به، وفي تحديد مقدار وطرق الزيادة وتواريخ استدعائها، وأن يتصرف في كسور الأسهم التي تنتج عن الزيادة، وأن يقرر علاوة إصدار يحدد قيمتها لإضافتها الى القيمة الإسمية لأسهم الزيادة وذلك في غير حالات الزيادة لغرض إصدار أسهم منحة مجانية توزع على المساهمين.

ثانياً: تعديل المادة (5) من عقد التأسيس والمادة (5) من النظام الأساسي للشركة كالآتي:

النص قبل التعديل

حدد رأس مال الشركة المصرح به والمصدر والمدفوع بمبلغ 149,923,801.400 د.ك (مائة وتسعة وأربعون مليون وتسعمائة وثلاثة وعشرون ألف وثمانمائة وواحد دينار كويتي و 400 فلساً كويتياً) موزع على 1,499,238,014 سهماً قيمة كل سهم مائة فلس وجميع الأسهم نقدية.

النص بعد التعديل

إدارة السجل التجاري - تأشيرة السجل التجاري

الكويت في : 11/01/2022

إسم الشركة و نوعها: مجموعه الصناعات الوطنيه القابضه-(ش.م.ك) عامة

الكيان القانوني : شركة مساهمة عامة

رقم القيد في السجل التجاري: 8392

بناء علي محضر جمعية عمومية غير عادية 20/12/2021 **جرى التأشير بالسجل التجاري**

تم الموافقة علي الاتي :

زيادة رأس المال من 149,923,801.4 الي 149,923,801.4 بقيمة 0.

حدد رأس مال الشركة المصرح به بمبلغ 300,000,000 د.ك (ثلاثمائة مليون دينار كويتي) موزعا على 3,000,000,000 سهماً قيمة كل سهم مائة فلس وجميع الأسهم نقدية.

وحدد رأس المال المصدر والمدفوع للشركة بمبلغ 149,923,801.400 د.ك (مائة وتسعة وأربعون مليون وتسعمائة وثلاثة وعشرون ألف وثمانمائة وواحد دينار كويتي و 400 فلساً كويتياً) موزع على 1,499,238,014 سهماً قيمة كل سهم مائة فلس وجميع الأسهم نقدية.

إدارة السجل التجاري - تأشيرة السجل التجاري

الكويت في : 21/03/2022

إسم الشركة و نوعها: مجموعه الصناعات الوطنيه القابضه-(ش.م.ك) عامة

الكيان القانوني : شركة مساهمة عامة

رقم القيد في السجل التجاري: 8392

بناء علي قرار مجلس ادارة الشركة 30/01/2022 **جرى التأشير بالسجل التجاري**

تم الموافقة علي الاتي :

استكمال راس مال الشركة من 149,923,801.4 الي 202,397,131.9 بقيمة 52,473,330.5

بناء على اجتماع مجلس الادارة المنعقد في 30/1/2022 والى تأشيرة السجل التجاري الصادرة في 11/1/2022 يرجى العمل على التأشير في السجل التجاري بالاتي :

أولاً: زيادة رأس مال الشركة المصدر والمدفوع من مبلغ 149,923,801.400 د.ك (مائة وتسعة واربعون مليون وتسعمائة وثلاثة وعشرون الف وثمانمائة وواحد دينار كويتي واربعمائة فلس) الى مبلغ 202,397,131.900 د.ك (مائتان واثنان مليون وثلاثمائة وسبعة وتسعون ألف ومائة وواحد وثلاثون دينار كويتي وتسعمائة فلس) زيادة نقدية مقدارها 52,473,330.5 د.ك بنسبة 35% من رأس مال الشركة وذلك عن طريق إصدار عدد 524,733,305 سهما جديدا بقيمة 100 فلس للسهم الواحد مضافاً اليها 100 فلس كعلاوة إصدار .

ثانياً: تعديل المادة رقم (5) من عقد التأسيس والمادة (5) من النظام الأساسي كالاتي:

النص قبل التعديل:

حدد رأس مال الشركة المصرح به بمبلغ 300,000,000 د.ك (ثلاثمائة مليون دينار كويتي) موزعا على 3,000,000,000 سهما قيمة كل سهم 100 فلس وجميع الأسهم نقدية.

وحدد رأس مال الشركة المصدر والمدفوع بمبلغ 149,923,801.400 د.ك (مائة وتسعة وأربعون مليون وتسعمائة وثلاثة وعشرون ألف وثمانمائة وواحد دينار كويتي و أربعمائة فلس) موزعاً على 1,499,238,014 سهم قيمة كل سهم 100 فلس وجميع الأسهم نقدية.

إدارة السجل التجاري - تأشيرة السجل التجاري

الكويت في : 21/03/2022

إسم الشركة و نوعها: مجموعه الصناعات الوطنيه القابضه-(ش.م.ك) عامة

الكيان القانوني : شركة مساهمة عامة

رقم القيد في السجل التجاري: 8392

بناء علي قرار مجلس ادارة الشركة 30/01/2022 **جرى التأشير بالسجل التجاري**

تم الموافقة علي الاتي :

استكمال راس مال الشركة من 149,923,801.4 الي 202,397,131.9 بقيمة 52,473,330.5

النص بعد التعديل:

حدد رأس مال الشركة المصرح به بمبلغ 300,000,000 د.ك (ثلاثمائة مليون دينار كويتي) موزع على 3,000,000,000 سهما قيمة كل سهم 100 فلس وجميع الأسهم نقدية.

وحدد رأس مال الشركة المصدر بمبلغ 202,397,131.900 د.ك (مائتان وإثنان مليون وثلاثمائة وسبعة وتسعون ألف ومائة وواحد وثلاثون دينار كويتي وتسعمائة فلس) موزعة على 2,023,971,319 سهما قيمة كل سهم 100 فلس وجميع الأسهم نقدية.

وحدد رأس مال الشركة المدفوع بمبلغ 149,923,801.400 د.ك (مائة وتسعة وأربعون مليون وتسعمائة وثلاثة وعشرون ألف وثمانمائة وواحد دينار كويتي و أربعمائة فلس) موزع على 1,499,238,014 سهم قيمة كل سهم 100 فلس وجميع الأسهم نقدية.

مستند الكتروني لا يحتاج الي ختم او توقيع

NI Group
National Industries Group
(Holding)

Interim Condensed Consolidated Financial Information and Review Report

30 September 2021 (unaudited)

National Industries Group Holding K.P.S.C. and Subsidiaries

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Group Holding – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Group Holding - KPSC (the "Parent Company") and its Subsidiaries (together the "Group") as of 30 September 2021 and the related interim condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statements cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provision of law no 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-months period ended 30 September 2021 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
1 November 2021

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 Sept. 2021 (Unaudited) KD '000	Three months ended 30 Sept. 2020 (Unaudited) KD '000	Nine months ended 30 Sept. 2021 (Unaudited) KD '000	Nine months ended 30 Sept. 2020 (Unaudited) KD '000
Sales		**27,950**	27,183	**80,396**	74,999
Cost of sales		**(22,292)**	(22,407)	**(65,015)**	(64,427)
Gross profit		**5,658**	4,776	**15,381**	10,572
Income/(loss) from investments	5	**41,441**	18,846	**100,670**	(28,061)
Share of results of associates	12	**7,582**	816	**19,641**	7,844
Gain on partial disposal of associates		**22**	-	**22**	-
Change in fair value of investment properties		**-**	-	**-**	(3,799)
Loss on disposal of investment properties		**-**	-	**(18)**	-
Rental income		**533**	471	**1,567**	1,503
Interest and other income		**359**	620	**2,316**	2,146
Gain on disposal of indirect subsidiary	21	**1,364**	-	**1,364**	-
Distribution costs		**(2,440)**	(1,730)	**(6,793)**	(5,627)
General, administrative and other expenses		**(6,271)**	(5,517)	**(17,798)**	(16,567)
Gain/(loss) on foreign currency exchange		**24**	280	**217**	(1,193)
		48,272	18,562	**116,569**	(33,182)
Finance costs		**(5,249)**	(5,806)	**(15,883)**	(18,148)
Impairment in value of associates	12	**(4,165)**	-	**(4,917)**	-
Impairment in value of accounts receivables and other assets		**(3,339)**	(104)	**(3,405)**	(587)
Impairment in value of assets classified as held for sale		**(1,581)**	-	**(1,581)**	-
Profit/(loss) before foreign taxation		**33,938**	12,652	**90,783**	(51,917)
Foreign taxation	6a	**(123)**	(70)	**(449)**	(152)
Profit/(loss) before provision for KFAS, NLST, Zakat and Directors Remuneration		**33,815**	12,582	**90,334**	(52,069)
Provision for KFAS, NLST and Zakat	6b	**(2,651)**	(44)	**(4,465)**	(95)
Directors Remuneration	14b	**-**	-	**(480)**	-
Profit/(loss) for the period		**31,164**	12,538	**85,389**	(52,164)
Profit/(loss) for the period attributable to:					
Owners of the Parent Company		**26,033**	9,034	**69,652**	(55,111)
Non-controlling interests		**5,131**	3,504	**15,737**	2,947
		31,164	12,538	**85,389**	(52,164)
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	7	**17.7 Fils**	6.2 Fils	**47.6 Fils**	(37.7) Fils

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	**30 Sept. 2021 (Unaudited) KD '000**	30 Sept. 2020 (Unaudited) KD '000
Profit/(loss) for the period	**31,164**	12,538	**85,389**	(52,164)
Other comprehensive (loss)/income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
- Exchange differences arising on translation of foreign operations	**(4,346)**	1,275	**(4,135)**	(759)
Share of other comprehensive (loss)/income of associates				
- Change in fair value	**(225)**	1,061	**(111)**	(2,229)
Total other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods	**(4,571)**	2,336	**(4,246)**	(2,988)
Items not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan actuarial gain/(losses)	**190**	(656)	**236**	(44)
Net changes in fair value of investments in equity instruments designated at FVOCI	**(26,330)**	4,584	**(7,688)**	31,001
Share of other comprehensive income/(loss) of associates	**3,749**	(5,791)	**5,236**	(6,765)
Total other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	**(22,391)**	(1,863)	**(2,216)**	24,192
Total other comprehensive (loss)/income for the period	**(26,962)**	473	**(6,462)**	21,204
Total comprehensive income/(loss) for the period	**4,202**	13,011	**78,927**	(30,960)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Parent Company	**9,535**	7,642	**64,066**	(38,904)
Non-controlling interests	**(5,333)**	5,369	**14,861**	7,944
	4,202	13,011	**78,927**	(30,960)

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Assets				
Bank balances and cash	8	**60,456**	50,011	33,052
Short-term deposits	8	**34,077**	9,394	11,439
Assets classified as held for sale		**4,294**	6,312	8,370
Accounts receivable and other assets		**58,236**	56,918	55,968
Inventories		**36,500**	34,819	40,152
Financial assets at fair value through profit or loss	10	**393,171**	313,472	314,186
Financial assets at fair value through other comprehensive income	11	**191,190**	230,918	234,049
Right of use of leased assets		**8,121**	9,642	6,108
Investment properties		**56,928**	60,260	57,399
Investments in associates	12	**328,410**	315,602	316,717
Property, plant and equipment		**89,349**	90,144	90,779
Goodwill and other intangible assets		**10,075**	9,847	9,735
Total assets		**1,270,807**	1,187,339	1,177,954
Liabilities and equity				
Liabilities				
Due to banks	8	**13,806**	23,695	24,439
Accounts payable and other liabilities		**75,041**	72,936	73,737
Borrowings and bonds	13	**623,402**	612,190	604,183
Provisions		**14,793**	15,296	14,738
Total liabilities		**727,042**	724,117	717,097
Equity attributable to owners of the Parent Company				
Share capital	14	**149,924**	142,784	142,784
Share premium		**122,962**	122,962	122,962
Treasury shares	14	**(23,406)**	(30,375)	(30,375)
Cumulative changes in fair value		**18,295**	36,469	35,698
Other components of equity	15	**28,008**	32,816	32,616
Retained earnings		**101,035**	22,253	21,501
Equity attributable to owners of the Parent Company		**396,818**	326,909	325,186
Non-controlling interests		**146,947**	136,313	135,671
Total equity		**543,765**	463,222	460,857
Total liabilities and equity		**1,270,807**	1,187,339	1,177,954

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 15) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2021	142,784	122,962	(30,375)	36,469	32,816	22,253	326,909	136,313	463,222
Transactions with owners									
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(1,178)	(1,178)
Effect of change in ownership percentage of subsidiaries (Note 22)	-	-	-	-	-	1,436	1,436	(1,436)	-
Issue of bonus shares (Note 14b)	7,140	-	-	-	-	(7,140)	-	-	-
Disposal of treasury shares (Note 14c)	-	-	6,969	-	(2,537)	-	4,432	(2,436)	1,996
Other adjustments	-	-	-	-	-	(25)	(25)	823	798
Total transactions with owners	7,140	-	6,969	-	(2,537)	(5,729)	5,843	(4,227)	1,616
Comprehensive income									
Profit for the period	-	-	-	-	-	69,652	69,652	15,737	85,389
Other comprehensive (loss)/income for the period (actuarial losses and others)	-	-	-	(3,551)	(2,271)	236	(5,586)	(876)	(6,462)
Total comprehensive (loss)/income for the period	-	-	-	(3,551)	(2,271)	69,888	64,066	14,861	78,927
Realised gain on equity investments at FVOCI	-	-	-	(14,623)	-	14,623	-	-	-
Balance at 30 September 2021	149,924	122,962	(23,406)	18,295	28,008	101,035	396,818	146,947	543,765

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 15) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2020	142,784	122,962	(30,375)	20,938	32,260	89,434	378,003	130,666	508,669
Transactions with owners									
Dividend paid (Note 14 b)	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(2,934)	(2,934)
Adjustments arising on capital reduction of a subsidiary	-	-	-	-	-	-	-	(5)	(5)
Total transactions with owners	-	-	-	-	-	(13,913)	(13,913)	(2,939)	(16,852)
Comprehensive income									
Loss for the period	-	-	-	-	-	(55,111)	(55,111)	2,947	(52,164)
Other comprehensive loss for the period (actuarial losses and others)	-	-	-	15,895	356	(44)	16,207	4,997	21,204
Total comprehensive loss for the period	-	-	-	15,895	356	(55,155)	(38,904)	7,944	(30,960)
Realised gain on equity investments at FVOCI	-	-	-	(1,135)	-	1,135	-	-	-
Balance at 30 September 2020	142,784	122,962	(30,375)	35,698	32,616	21,501	325,186	135,671	460,857

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2021 (Unaudited) KD '000	Nine months ended 30 Sept. 2020 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit/(loss)before foreign taxation	**90,783**	(51,917)
Adjustments for:		
Dividend income from financial assets at FVOCI	**(1,952)**	(1,232)
Share of results of associates	**(19,641)**	(7,844)
Loss on disposal of investment properties	**18**	-
Gain on partial disposal of associates	**(22)**	-
Interest/profit on bank balances and short-term deposits	**(529)**	(530)
Net provision (released)/charged	**(503)**	625
Gain on disposal of indirect subsidiary	**(1,364)**	-
Depreciation and amortisation	**5,687**	6,024
Changes in fair value of investment properties	**-**	3,799
Finance costs	**15,883**	18,148
Impairment in value of associates	**4,917**	-
Impairment in value of assets classified as held for sale	**1,581**	-
Impairment in value of accounts receivable and other assets	**3,405**	587
	98,263	(32,340)
Changes in operating assets and liabilities:		
Inventories	**(1,681)**	(4,229)
Accounts receivable and other assets	**(197)**	(5,513)
Financial assets at fair value through profit or loss	**(79,699)**	96,228
Accounts payable and other liabilities	**(2,812)**	2,490
	13,874	56,636
Taxation paid	**(282)**	(146)
KFAS, NLST and Zakat paid	**(437)**	(115)
Net cash from operating activities	**13,155**	56,375
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(3,821)**	(12,792)
Addition to investment properties	**-**	(753)
Addition to investment in associates	**(2,451)**	(2,131)
Proceeds from disposal/capital reduction of associates	**142**	-
Proceed from disposal of investment property	**620**	-
Proceed from disposal of indirect subsidiary (Note 21)	**4,000**	-
Dividend received from associates	**4,494**	6,599
Purchase of financial assets at FVOCI	**(213)**	(779)
Proceeds from sale of financial assets at FVOCI	**32,253**	1,663
Dividend income received from financial assets at FVOCI	**1,952**	1,232
(Increase)/decrease in short term deposits maturing after three months	**(4,725)**	1,791
Decrease in wakala investments	**-**	1,000
Interest/profit received from bank balances, short-term deposits and wakala investments	**600**	267
Net cash from/(used) investing activities	**32,851**	(3,903)

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	**Nine months ended 30 Sept. 2021 (Unaudited) KD '000**	Nine months ended 30 Sept. 2020 (Unaudited) KD '000
FINANCING ACTIVITIES			
Net increase/(decrease) in borrowings		**11,212**	(24,420)
Dividend paid to owners of the Parent Company		**(387)**	(12,906)
Dividend paid to non-controlling interests		**(1,178)**	(2,934)
Proceeds from sale of treasury shares		**1,996**	-
Finance costs paid		**(15,686)**	(16,338)
Change in non-controlling interests		**(1,613)**	(5)
Net cash used in financing activities		**(5,656)**	(56,603)
Net Increase/(decrease) in cash and cash equivalents		**40,350**	(4,131)
Net cash on asset held for sale		**-**	(15)
Translation difference		**(58)**	(29)
		40,292	(4,175)
Cash and cash equivalents at the beginning of the period		**34,454**	23,598
Cash and cash equivalents at the end of the period	8	**74,746**	19,423

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

National Industries Group Holding – KPSC ('the Parent Company') was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a 'Holding Company'. The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.

- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.

- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.

- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.

- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved this interim condensed consolidated financial information for issue on 1 November 2021.

The annual consolidated financial statements for the year ended 31 December 2020 were authorised for issuance by the Parent Company's Board of Directors on 25 March 2021 and approved by the shareholders at the Annual General Meeting held on 29 April 2021.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2021 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The accounting polices used in the preparation of these interim condensed consolidated financial information is consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2020.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

No new amendments or standards were effective for the current period.

However, the IFRS 16 Leases amendment relating to Covid19 Rent Related Concessions has been extended until 30 September 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19 related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

3.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments - Classification of current and non-current	1 January 2023
IAS 1 Amendments - Disclosure of accounting policies	1 January 2023
IAS 8 Amendments - Definition of accounting estimates	1 January 2023
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

IFRS 10 and IAS 28 Sale or Contribution of Assets between 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 recognised 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.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 New and amended standards adopted by the Group (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

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.

IAS 1 Amendments - Classification of current or non-current

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

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

IAS 1 Amendments – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

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

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

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

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

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

IAS 37 Amendments – Onerous contracts - Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 New and amended standards adopted by the Group (continued)

IAS 37 Amendments – Onerous contracts - Cost of fulfilling a contract (continued)
The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

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

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

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

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

Taxation in fair value measurements – Before this amendment, when an entity used a discounted cash flow technique to determine the fair value applying IAS 41, IAS 41.22 required the entity to exclude taxation cash flows from the calculation. The amendment to IAS 41 removed from this requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2020.

Notes to the interim condensed consolidated financial information (continued)

5 Income/(loss) from investments

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	**30 Sept. 2021 (Unaudited) KD '000**	30 Sept. 2020 (Unaudited) KD '000
Dividend income:				
- From financial assets at fair value through profit or loss	**314**	303	**5,361**	7,681
- From financial assets at fair value through other comprehensive income	**203**	698	**1,952**	1,232
Realised gain/(loss) on financial assets at fair value through profit or loss	**2,025**	579	**4,814**	(10,903)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**38,899**	17,266	**88,543**	(26,090)
Interest income on debt securities classified under financial assets at FVTPL	**-**	-	**-**	19
	41,441	18,846	**100,670**	(28,061)

6 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	**30 Sept. 2021 (Unaudited) KD '000**	30 Sept. 2020 (Unaudited) KD '000
Taxation of foreign subsidiaries				
Current tax expense				
Current period charge	**(123)**	(70)	**(449)**	(152)
	(123)	(70)	**(449)**	(152)

(b) Provision for KFAS, NLST and Zakat

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	**30 Sept. 2021 (Unaudited) KD '000**	30 Sept. 2020 (Unaudited) KD '000
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(227)**	-	**(552)**	-
Provision for National Labour Support Tax (NLST)	**(2,080)**	-	**(3,073)**	-
Provision for Zakat	**(344)**	(44)	**(840)**	(95)
	(2,651)	(44)	**(4,465)**	(95)

Notes to the interim condensed consolidated financial information (continued)

7 Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited)	30 Sept. 2020 (Unaudited)	**30 Sept. 2021 (Unaudited)**	30 Sept. 2020 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD '000)	**26,033**	9,034	**69,652**	(55,111)
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	**1,467,097,492**	1,460,875,340	**1,463,411,560**	1,460,875,340
Basic and diluted earnings/(loss) per share	**17.7 Fils**	6.2 Fils	**47.6 Fils**	(37.7) Fils

The weighted average number of shares outstanding during previous period has been restated to add the bonus shares approved at the Annual General Meeting of the Parent Company's shareholders held on 29 April 2021 (Note 14b).

The basic and diluted earnings/(loss) per share reported during the previous period for the three months and nine months ended 30 September 2020 were 6.5 Fils and (39.6) Fils respectively.

8 Cash and cash equivalents

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Bank balances and cash	**60,456**	50,011	33,052
Short-term deposits (Note 8a)	**34,077**	9,394	11,439
Due to banks (Note 8b)	**(13,806)**	(23,695)	(24,439)
	80,727	35,710	20,052
Less: Blocked balances	**(6)**	(6)	(6)
Less: Time deposits maturing after three months	**(5,975)**	(1,250)	(623)
	(5,981)	(1,256)	(629)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	**74,746**	34,454	19,423

a) Short term deposit includes Murabaha investment with local Islamic financial institution amounting to KD5,650 thousand (31 December 2020: KD650 thousand and 30 September 2020: KD650 thousand).

b) Due to banks includes bank overdraft facilities utilised by one of the subsidiaries of the Group amounting to KD851 thousand which is secured by short term deposit of KD640 thousand (31 December 2020: KD623 thousand and 30 September 2020: KD623 thousand).

Notes to the interim condensed consolidated financial information (continued)

9 Wakala investments

During the previous years, one of the subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD1,683 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary company had placed with a local Islamic investment company as part of the total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The amount was fully provided in accordance with Central Bank of Kuwait provision rules. The subsidiary company initiated legal proceedings against the parties to recover the amount including profits thereon. During the year 2019, consequent to a court ruling decided in favour of the subsidiary company, the related parties entered into a settlement agreement with the subsidiary company to settle the above amount of KD1,683 thousand. The subsidiary company received KD1,683 thousand as per the settlement agreements. This has resulted in a reversal of provision during the current period on wakala investment amounting to KD683 thousand in accordance with Central Bank of Kuwait credit provisioning rules.

10 Financial assets at fair value through profit or loss

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Quoted shares	**275,952**	206,244	206,285
Unquoted equity participations	**14,086**	13,862	26,775
Managed portfolios and funds	**103,133**	93,366	81,126
	393,171	313,472	314,186

Quoted shares and managed funds, held by the Group, with a fair value of KD140,887 thousand (31 December 2020: KD91,710 thousand and 30 September 2020: KD93,554 thousand) are secured against borrowings.

11 Financial assets at fair value through other comprehensive income

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Quoted shares	**50,468**	41,489	44,042
Unquoted equity participations	**118,857**	167,814	167,589
Managed portfolios and funds	**21,865**	21,615	22,418
	191,190	230,918	234,049

a) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Limited, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during the current period until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

Notes to the interim condensed consolidated financial information (continued)

11 Financial assets at fair value through other comprehensive income (continued)

b) Quoted shares with a fair value of KD35,201 thousand (31 December 2020: KD29,788 thousand and 30 September 2020: KD28,457 thousand) and unquoted shares with a fair value of KD384 thousand (31 December 2020: KD320 thousand and 30 September 2020: KD157 thousand) are secured against bank borrowings (Note 13).

12 Investment in associates

The movement in associates during the period/year is as follows:

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Balance at 1 January	**315,602**	324,781	324,781
Additions during the period/year	**2,451**	5,626	2,131
Share of results	**19,641**	5,517	7,844
Disposal	**(120)**	(1,328)	-
Impairment in value	**(4,917)**	-	-
Share of other comprehensive income/(loss)	**5,125**	(9,154)	(8,994)
Dividend distribution	**(5,686)**	(8,759)	(6,599)
Foreign currency translation adjustment	**(3,689)**	(1,176)	(2,446)
Other adjustments	**3**	95	-
Balance at the end of the period/year	**328,410**	315,602	316,717

13 Borrowings and bonds

Total borrowings and bonds are due as follows:

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Bonds (Note 13a)	**55,000**	55,000	55,000
Long term borrowings			
- Current portion of long-term borrowings	**70,332**	198,887	155,967
- Due after more than one year	**323,088**	212,731	236,043
Short term borrowings	**174,982**	145,572	157,173
	623,402	612,190	604,183

a) During the last year, the Parent Company issued unsecured bonds of KD30,000 thousand in two series comprising of KD22,400 thousand fixed rate bonds and KD7,600 thousand floating rate bonds at face value maturing on 11 February 2025.

b) The remaining bonds of KD25,000 thousand represents floating rate bonds and will mature on 20 December 2021. The bonds benefit from certain uncollateralized financial assets at fair value through profit or loss, investment in associate and investment in subsidiary through one of the local subsidiaries of the Group to ensure repayment.

Notes to the interim condensed consolidated financial information (continued)

14 Share capital and dividend distributions & treasury shares

a) Share capital

As of 30 September 2021, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,499,238,014 shares of 100 Fils each (31 December 2020: 1,427,845,728 shares and 30 September 2020: 1,427,845,728 shares).

b) Dividend distribution

At the Annual General Meeting held on 29 April 2021, the shareholders approved a bonus share of 5% which represent 71,392,286 shares of 100 Fils each amounting to KD7,140 thousand for the year ended 31 December 2020 (2019: a cash dividend of 10% equivalent to 10 Fils) and approved a total amount of KD480 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2020.

At the Annual General Meeting held on 30 April 2020, the shareholders approved a cash dividend of 10% equivalent to 10 Fils per share for the year ended 31 December 2019.

c) Treasury shares

	30 Sept. 2021	31 Dec. 2020	30 Sept. 2020
Number of shares	**29,560,940**	36,535,880	36,535,880
Percentage of issued shares	**2.00%**	2.56%	2.56%
Market value (KD '000)	**7,124**	6,430	8,805
Cost (KD'000)	**23,406**	30,375	30,375

During the period the Group disposed treasury shares with a cost of KD6,969 thousand for a consideration of KD1,996 thousand resulting in the Group share of loss amounting to KD2,537 thousand, which has been recognised against the Treasury share profit reserve included within other reserves, along with share of loss of the non- controlling interest amounting to KD2,436 thousand. Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

15 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2021	**19,950**	**6,382**	**18,452**	**(11,968)**	**32,816**
Other comprehensive income:					
Loss on sale of treasury shares	**-**	**-**	**(2,537)**	**-**	**(2,537)**
Currency translation differences	**-**	**-**	**-**	**(2,271)**	**(2,271)**
Balances at 30 September 2021	**19,950**	**6,382**	**15,915**	**(14,239)**	**28,008**
Balances at 1 January 2020	19,950	6,382	18,452	(12,524)	32,260
Other comprehensive income:					
Currency translation differences	-	-	-	356	356
Balances at 30 September 2020	19,950	6,382	18,452	(12,168)	32,616

Notes to the interim condensed consolidated financial information (continued)

16 Segmental analysis

The Group's format for reporting segment information is business segments; which conforms to the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	30 Sept. 2021 KD '000	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000
Three months ended										
Segment revenue	**51,301**	20,753	**10,194**	8,964	**14,029**	15,401	**3,727**	2,818	**79,251**	47,936
Less:										
Income from investments									**(41,441)**	(18,846)
Share of results of associates									**(7,582)**	(816)
Gain on partial disposal of associates									**(22)**	-
Loss on disposal of indirect subsidiary and discontinued operation									**(1,364)**	-
Rental income									**(533)**	(471)
Interest and other income									**(359)**	(620)
Sales, per interim condensed consolidated statement of profit or loss									**27,950**	27,183
Segment profit/(loss)	**39,707**	17,659	**(765)**	107	**(402)**	511	**623**	(99)	**39,163**	18,178
Less:										
Finance costs									**(5,249)**	(5,806)
Gain on foreign currency exchange									**24**	280
Profit before foreign taxation									**33,938**	12,652

Notes to the interim condensed consolidated financial information (continued)

16 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	30 Sept. 2021 KD '000	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000	**30 Sept. 2021 KD '000**	30 Sept. 2020 KD '000
Nine months ended										
Segment revenue	**125,562**	(20,367)	**30,511**	25,003	**40,232**	40,244	**9,653**	9,752	**205,958**	54,632
Less:										
(Income)/loss from investments									**(100,670)**	28,061
Share of result of associates									**(19,641)**	(7,844)
Gain on partial disposal of associates									**(22)**	-
Loss on disposal of investment properties									**18**	-
Changes on fair value of investment properties									**-**	3,799
Loss on disposal of indirect subsidiary and discontinued operation									**(1,364)**	-
Rental income									**(1,567)**	(1,503)
Interest and other income									**(2,316)**	(2,146)
Sales, per interim condensed consolidated statement of profit or loss									**80,396**	74,999
Segment profit/(loss)	**106,519**	(29,858)	**825**	(1,631)	**(1,729)**	(1,148)	**834**	61	**106,449**	(32,576)
Less:										
Finance costs									**(15,883)**	(18,148)
Gain/(loss) on foreign currency exchange									**217**	(1,193)
Loss/(profit) before foreign taxation									**90,783**	(51,917)
Segment assets	**1,066,072**	971,683	**79,744**	74,760	**114,656**	121,529	**10,335**	9,982	**1,270,807**	1,177,954
Segment liabilities	**(33,314)**	(32,861)	**(27,765)**	(27,714)	**(23,144)**	(22,927)	**(5,611)**	(4,973)	**(89,834)**	(88,475)
Segment net assets	**1,032,758**	938,822	**51,979**	47,046	**91,512**	98,602	**4,724**	5,009	**1,180,973**	1,089,479
Borrowings, bonds and due to banks									**(637,208)**	(628,622)
Total equity as per interim condensed consolidated statement of financial position									**543,765**	460,857

Notes to the interim condensed consolidated financial information (continued)

17 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group 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 transactions and balances are as follows:

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	**7,173**	4,986	8,247
- Due from key management personnel	**70**	70	70
- Due from other related parties	**339**	922	1,698
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	**20**	20	20
- Due to other related parties	**111**	520	565

	Three months ended		Nine months ended	
	30 Sept. 2021 (Unaudited) KD '000	30 Sept. 2020 (Unaudited) KD '000	**30 Sept. 2021 (Unaudited) KD '000**	30 Sept. 2020 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss				
Purchase of raw materials – from associates	**259**	328	**670**	1,222
Compensation of key management personnel of the Group				
Short term employee benefits	**953**	835	**2,701**	3,036
Board of Directors' remuneration (Note 14b)	**-**	-	**480**	-
End of service benefits	**39**	45	**106**	122
Cost of share-based payment	**-**	-	**-**	260
	992	880	**3,287**	3,418

Refer note 19 & note 20 for details of fiduciary assets and contingent liabilities and capital commitments held and issued on behalf of related parties.

18 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, wakala investments, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, short term deposits and bank balances and cash) and financial liabilities (due to banks, borrowings, bonds and accounts payable and other liabilities).

The carrying amounts of other financial assets and liabilities as at 30 September 2021 approximate their fair values.

Notes to the interim condensed consolidated financial information (continued)

18 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows;

	Level 1	Level 2	Level 3	Total balance
At 30 September 2021	**KD'000**	**KD'000**	**KD'000**	**KD'000**
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	**275,952**	**-**	**-**	**275,952**
- Unquoted equity participations	**-**	**147**	**13,939**	**14,086**
- Managed portfolios and funds	**-**	**4,578**	**98,555**	**103,133**
Financial assets at FVOCI				
- Quoted shares	**50,468**	**-**	**-**	**50,468**
- Unquoted equity participations	**-**	**25,464**	**93,393**	**118,857**
- Managed portfolios and funds	**-**	**519**	**21,346**	**21,865**
	326,420	**30,708**	**227,233**	**584,361**
At 31 December 2020				
Assets at fair value				
Financial assets at FVTPL				
-Quoted shares	206,244	-	-	206,244
-Unquoted equity participations	-	156	13,706	13,862
-Managed portfolios and funds	-	3,763	89,603	93,366
Financial assets at FVOCI				
-Quoted shares	41,489	-	-	41,489
-Unquoted equity participations	-	79,329	88,485	167,814
-Managed portfolios and funds	-	499	21,116	21,615
	247,733	83,747	212,910	544,390
At 30 September 2020				
Financial assets at fair value				
Financial assets at FVTPL				
- Quoted shares	206,285	-	-	206,285
- Unquoted equity participations	-	13,415	13,360	26,775
- Managed portfolios and funds	-	3,545	77,581	81,126
Financial assets at FVOCI				
- Quoted shares	44,042	-	-	44,042
- Unquoted equity participations	-	69,878	97,711	167,589
- Managed portfolios and funds	-	5,435	16,983	22,418
	250,327	92,273	205,635	548,235

Notes to the interim condensed consolidated financial information (continued)

18 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value (continued)

Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 Sept. 2021 (Unaudited) KD '000	31 Dec. 2020 (Audited) KD '000	30 Sept. 2020 (Unaudited) KD '000
Opening balance	**212,910**	265,627	265,627
Net change in fair value	**28,307**	964	4,873
Net (disposal)/additions during the period/year	**(13,984)**	(53,681)	(64,865)
Closing balance	**227,233**	212,910	205,635

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

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

19 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 September 2021 amounted to KD9,982 thousand (31 December 2020: KD8,497 thousand and 30 September 2020: KD8,780 thousand) of which assets managed on behalf of related parties amounted to KD2,993 thousand (31 December 2020: KD2,611 thousand and 30 September 2020: KD2,701 thousand).

20 Contingent liabilities and capital commitments

As at 30 September 2021, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD13,461 thousand (31 December 2020: KD16,048 thousand and 30 September 2020: KD17,523 thousand) of which an amount of KD7,000 thousand (31 December 2020: KD7,000 thousand and 30 September 2020: KD Nil) is in relation to an associate.

At the reporting date the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties totalling to KD14,884 thousand (31 December 2020: KD18,828 thousand and 30 September 2020: KD16,449 thousand).

Notes to the interim condensed consolidated financial information (continued)

21 Gain on disposal of indirect subsidiary

During the period, one of the Group's wholly owned local subsidiary (Al-Durra National Real Estate KSCC) has disposed one of its wholly owned local subsidiary with net asset value of KD2,636 thousand for a consideration of KD4,000 thousand resulting in a net gain of KD1,364 thousand. The assets of the disposed subsidiary mainly comprised of an investment property which was carried at KD2,674 thousand.

22 Merger of one of the subsidiaries of the Group

During the current period, one of the subsidiaries of the Group, Noor Financial Investment Company KPSC ("Noor") has merged with one of its subsidiaries, Noor Telecommunication Holding Company - KSCC ("NoorTel"), by way of amalgamation, in accordance with the CMA regulations, through share swap, where the minority shareholders of NoorTel received shares of Noor in exchange. Noor became the legal successor of NoorTel's rights and obligations on the effective date of the merger.

The merger has resulted in a gain of KD1,436 thousand recognised in the retained earnings and a corresponding reduction of a same amount in non-controlling interest.

23 Comparative information

Certain other comparative figures have been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.

24 Effect of COVID-19

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Governments worldwide imposed travel bans and strict quarantine measures in order to slow the spread of Covid-19. Business are dealing with lost revenue and disrupted supply chains. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak remains unclear at this time.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potentially impacted due to continued uncertainties in the volatile economic environment in which the Group conducts its operations. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations.

Management is aware that a continued and persistent disruption may negatively impact the financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any negative impact on the Group.

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NI Group
National Industries Group
(Holding)

Consolidated Financial Statements and Independent Auditor's Report

31 December 2020

National Industries Group Holding K.P.S.C. and Subsidiaries

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Independent auditor's report

To the shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Group Holding – Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Valuation of investments held at fair value

The Group invests in various assets classes, of which 46% of the total assets represent investments which are carried at fair value and classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income. These investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in Note 34.3. 46% of these investments are carried at fair value based on Level 1 valuations, and the balance 54% of these investments are carried at fair value either based on Level 2 or Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 2 and level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 2 and level 3, we determined this to be a key audit matter. Refer to Notes 5.13.3, 5.13.8, 6.1, 6.2, 19, 20 and 34.3 for more information on fair valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio. Agreeing the carrying value of the investments to the Group's internal and external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

Key Audit Matters (continued)

Impairment of investments in associates

The Group's investments in associates represent 27% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The investment in associates is significant to our audit due to the Group's share of results in the associates and the carrying value of these associates. In addition, significant management judgment and number of assumptions are required in the assessment of impairment and the recoverable amount, including the determination of the recoverable value of the investment based on its value-in-use, in case there are indicators of impairment. Further, the projected future cash flows and discount rates used by the Group in determining the investment's value in use are also subject to estimation uncertainty and sensitivity. Accordingly, we considered this as a key audit matter. Refer to Notes 5.4, 6.1, 6.2, and 22 for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition. For associates where there were impairment indicators, we also reviewed management's assessment of the recoverable value of the investment and the valuations methods used including, where applicable, the reasonability of the cash flow projections and discount rates used in the value in use calculations.

Other information included in the Group's 2020 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2020 other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2020 after the date of our auditor's report.

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

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

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

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

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

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.

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

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

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

Kuwait
25 March 2021

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000 (Restated)
Sales		**109,899**	132,060
Cost of sales		**(91,613)**	(110,048)
Gross profit		**18,286**	22,012
(Loss)/income from investments	8	**(18,307)**	90,626
Changes in fair value of investment properties	21	**(2,243)**	(729)
Share of results of associates	22	**5,517**	15,767
Profit on disposal of associates	22	**-**	1,576
Profit on disposal of investment property		**350**	-
Rental income		**1,950**	2,477
Interest and other income	9	**3,382**	3,074
Distribution costs		**(7,600)**	(8,353)
General, administrative and other expenses		**(23,129)**	(25,569)
Loss on foreign currency exchange		**(765)**	(1,065)
		(22,559)	99,816
Finance costs	11	**(23,761)**	(30,745)
Impairment in value of receivables and other assets	17	**(834)**	(790)
Impairment in value of associates	22	**-**	(7,748)
Impairment in value of property, plant and equipment	23	**-**	(530)
Impairment in value of goodwill and other intangible assets	24	**-**	(945)
(Loss)/profit before foreign taxation		**(47,154)**	59,058
Foreign taxation reversal/(charge)	12a	**1,565**	(703)
(Loss)/profit before KFAS, Zakat, NLST and Directors' remuneration		**(45,589)**	58,355
KFAS, Zakat and NLST	12b	**(173)**	(2,452)
Directors' remuneration		**-**	(590)
(Loss)/profit for the year from continued operations	13	**(45,762)**	55,313
Discontinued operations			
Loss for the year from discontinued operations	7.4	**(900)**	(1,955)
(Loss)/profit for the year		**(46,662)**	53,358
(Loss)/profit for the year attributable to:			
Owners of the Parent Company		**(52,213)**	46,353
Non-controlling interests		**5,551**	7,005
(Loss)/profit for the year		**(46,662)**	53,358
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company:	14		
- **From continued operations**		**(37.3) Fils**	33.9 Fils
- **From discontinued operations**		**(0.2) Fils**	(0.6) Fils
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	14	**(37.5) Fils**	33.3 Fils

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
(Loss)/profit for the year	**(46,662)**	53,358
Other comprehensive (loss)/income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations		
- Exchange differences arising on translation of foreign operations	**(42)**	(4,090)
- Transferred to consolidated statement of profit or loss on partial disposal of an associate	**-**	1,547
Share of other comprehensive (loss)/income of associates		
- Changes in fair value	**(3,193)**	6,291
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(3,235)**	3,748
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial losses	**(682)**	(34)
Net changes in fair value of investments in equity instruments designated at FVOCI	**34,174**	(7,028)
Share of other comprehensive (loss)/income of associates	**(5,961)**	3,680
Total other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods	**27,531**	(3,382)
Total other comprehensive income for the year	**24,296**	366
Total comprehensive (loss)/income for the year	**(22,366)**	53,724
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Parent Company	**(34,777)**	44,398
Non-controlling interests	**12,411**	9,326
	(22,366)	53,724

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Assets			
Bank balances and cash	15	**50,011**	31,798
Short-term deposits	15	**9,394**	18,189
Wakala investments	16	**-**	1,000
Assets classified as held for sale	7.4	**6,312**	-
Accounts receivable and other assets	17	**56,918**	50,776
Inventories	18	**34,819**	35,948
Financial assets at fair value through profit or loss	19	**313,472**	410,414
Financial assets at fair value through other comprehensive income	20	**230,918**	203,932
Right of use of leased assets		**9,642**	6,532
Investment properties	21	**60,260**	60,445
Investment in associates	22	**315,602**	324,781
Property, plant and equipment	23	**90,144**	91,177
Goodwill and other intangible assets	24	**9,847**	9,552
Total assets		**1,187,339**	1,244,544
Liabilities and equity			
Liabilities			
Due to banks	15	**23,695**	23,969
Accounts payable and other liabilities	25	**72,936**	69,190
Borrowings and bonds	26	**612,190**	628,603
Provisions	27	**15,296**	14,113
Total liabilities		**724,117**	735,875
Equity attributable to owners of the Parent Company			
Share capital	28	**142,784**	142,784
Share premium	28	**122,962**	122,962
Treasury shares	29	**(30,375)**	(30,375)
Cumulative changes in fair value	30	**36,469**	20,938
Other components of equity	30	**32,816**	32,260
Retained earnings		**22,253**	89,434
Equity attributable to owners of the Parent Company		**326,909**	378,003
Non-controlling interests	31	**136,313**	130,666
Total equity		**463,222**	508,669
Total liabilities and equity		**1,187,339**	1,244,544

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 12 to 75 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 '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 30 a) KD '000	Other components of equity (Note 30 b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests (Note 31) KD '000	Total KD '000
Balance at 1 January 2020	142,784	122,962	(30,375)	20,938	32,260	89,434	378,003	130,666	508,669
Transactions with owners									
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(2,940)	(2,940)
Dividend paid (Note 39)	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
Adjustments arising on capital reduction of a subsidiary (Note 31)	-	-	-	-	-	-	-	(1,860)	(1,860)
Consolidation adjustments and other related changes to retained earnings and non-controlling interests	-	-	-	-	-	(2,404)	(2,404)	(1,964)	(4,368)
Total transactions with owners	-	-	-	-	-	(16,317)	(16,317)	(6,764)	(23,081)
Comprehensive income/(loss)									
(Loss)/profit for the year	-	-	-	-	-	(52,213)	(52,213)	5,551	(46,662)
Other comprehensive income/(loss) for the year [actuarial loss and others] (Notes 30 and 31)	-	-	-	17,562	556	(682)	17,436	6,860	24,296
Total comprehensive income/(loss) for the year	-	-	-	17,562	556	(52,895)	(34,777)	12,411	(22,366)
Realised gain on equity investments at FVOCI	-	-	-	(2,031)	-	2,031	-	-	-
Balance at 31 December 2020	142,784	122,962	(30,375)	36,469	32,816	22,253	326,909	136,313	463,222

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 30 a) KD '000	Other components of equity (Note 30 b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests (Note 31) KD '000	Total KD '000
Balance at 1 January 2019	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686	143,662	496,348
Transactions with owners									
Decrease in non-controlling interest on disposal of indirect subsidiaries (Note 31)	-	-	-	-	-	-	-	(6,264)	(6,264)
Issue of bonus shares (Note 39)	6,799	-	-	-	-	(6,799)	-	-	-
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(8,195)	(8,195)
Dividend paid (Note 39)	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Adjustments arising on capital reduction of a subsidiary	-	-	-	-	-	-	-	(3,041)	(3,041)
Consolidation adjustments and related changes to retained earnings and non-controlling interests	-	-	-	-	-	(3,180)	(3,180)	(4,822)	(8,002)
Total transactions with owners	6,799	-	-	-	-	(25,880)	(19,081)	(22,322)	(41,403)
Comprehensive (loss)/income									
Profit for the year	-	-	-	-	-	46,353	46,353	7,005	53,358
Other comprehensive (loss)/income for the year [actuarial loss and others] (Notes 30 and 31)	-	-	-	(476)	(1,445)	(34)	(1,955)	2,321	366
Total comprehensive (loss)/income for the year	-	-	-	(476)	(1,445)	46,319	44,398	9,326	53,724
Transfer of reserves	-	-	-	-	9,878	(9,878)	-	-	-
Realised gain on equity investments at FVOCI	-	-	-	(265)	-	265	-	-	-
Balance at 31 December 2019	142,784	122,962	(30,375)	20,938	32,260	89,434	378,003	130,666	508,669

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000 (Restated)
OPERATING ACTIVITIES		
(Loss)/profit before foreign taxation	**(47,154)**	59,058
Adjustments:		
Dividend income from financial assets at FVOCI	**(2,348)**	(4,625)
Changes in fair value of investment properties	**2,243**	729
Share of results of associates	**(5,517)**	(15,767)
Profit on disposal of associates	**-**	(1,576)
Profit on disposal of investment property	**(350)**	-
Interest/profit on bank balances, short-term deposits and wakala investments	**(610)**	(1,095)
Net provisions charged	**1,183**	540
Depreciation and amortisation	**8,122**	9,343
Impairment in value of goodwill and other intangible assets	**-**	945
Impairment in value of associates	**-**	7,748
Impairment in value of receivable and other assets	**834**	790
Impairment in value of property plant and equipment	**-**	530
Finance costs	**23,761**	30,745
	(19,836)	87,365
Changes in operating assets and liabilities:		
Inventories	**1,105**	639
Accounts receivable and other assets	**(6,662)**	3,953
Financial assets at fair value through profit or loss	**96,942**	(45,701)
Accounts payable and other liabilities	**(1,176)**	(7,488)
Cash from operations	**70,373**	38,768
Taxation paid	**(171)**	(1,332)
KFAS, Zakat and NLST paid	**(124)**	(382)
Net cash from continuing operations	**70,078**	37,054
Net cash (used)/from discontinuing operations	**(1,948)**	168
Net cash from operating activities	**68,130**	37,222

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000 (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(13,342)**	(10,078)
Proceeds from disposal of property, plant and equipment		**55**	381
Additions to investment properties		**(3,574)**	(10,351)
Investment in associates		**(5,626)**	(2,997)
Dividend received from associate companies		**8,759**	9,619
Proceeds from disposal/capital reduction of associates		**1,328**	7,505
Proceeds from sale of investment property		**1,900**	-
Purchase of financial assets at FVOCI		**(786)**	(1,988)
Proceeds from sale of financial assets at FVOCI		**7,974**	9,931
Dividend income on financial assets at FVOCI		**2,348**	4,625
Increase/(decrease) of short-term deposits maturing after 3 months		**1,164**	(2,414)
Decrease in wakala investments		**1,000**	-
Addition to intangible assets		**(191)**	-
Interest/profit on bank balances, short-term deposits, wakala investments		**555**	310
Net cash from investing activities from continuing operations		**1,564**	4,543
Net cash from/(used) in investing activities from discontinued operations		**2,496**	(227)
Net cash from investing activities		**4,060**	4,316
FINANCING ACTIVITIES			
Net (decrease)/increase in borrowings		**(16,413)**	26,206
Dividend paid to the owners of the Parent Company		**(13,287)**	(15,392)
Dividend paid to non-controlling interest		**(2,940)**	(8,195)
Finance costs paid		**(24,296)**	(30,191)
Change in non-controlling interests		**(3,824)**	(7,863)
Net cash used in financing activities		**(60,760)**	(35,435)
Net increase in cash and cash equivalents		**11,430**	6,103
Translation difference		**(11)**	(4)
		11,419	6,099
Cash and cash equivalents attributable to the disposed group and indirect subsidiaries		**(563)**	(699)
Cash and cash equivalents at beginning of the year		**23,598**	18,198
Cash and cash equivalents at end of the year	15	**34,454**	23,598

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Group Holding – KPSC ("the Parent Company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 25 March 2021. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation properties, the measurement at fair value of financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

3 Statement of compliance

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

4 Changes 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 2020 which have been adopted by the Group. Information on these new standards which are relevant to the Group, is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 3 – Amendments – Definition of Business	1 January 2020
IAS 1 and IAS 8 – Amendments – Definition of Material	1 January 2020
IFRS 16 – Amendments – Covid 19 Rent Related Concessions	1 June 2020

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

Several other amendments and interpretations apply for the first time in 2020, but are not relevant and/or do not have a material impact on the consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 3 – Amendments- Definition of Business

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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

IFRS 16 – Amendments- COVID19 Rent Related Concessions

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

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

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

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IFRS 16 – Amendments- COVID19 Rent Related Concessions (continued)

- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease.

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

4.2 IASB Standards issued but not yet effective

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

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to be relevant and/or 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 an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 – Amendments – Classification of liabilities as current or non-current	1 January 2023

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 recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture – Amendments (continued)
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.

IAS 16 Amendments - Proceeds before intended use
The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

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

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract
The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

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

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle (continued)
Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

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

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

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

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. 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. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)
Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, 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. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

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 the consolidated statement of profit or loss.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

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

5.3 Goodwill and other intangible assets

5.3.1 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 24 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 5.12 for a description of impairment testing procedures.

5.3.2 Other intangible assets

Identifiable non-monetary assets acquired in as business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of Indefeasible Rights of Use (IRU).

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight-line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.4 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 share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

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.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Segment reporting

The Group has four operating segments: Investment, building materials, specialist engineering and hotel and IT services 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.

For management purposes, the Group uses the same measurement policies as those used in its 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.

5.6 Revenue

Revenue arises from sale of goods, rendering of services, investing and real estate activities.

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

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

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)
The Group recognises revenue from the following major sources:

5.6.1 Sale of goods
Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

5.6.2 Rendering of services
The Group generates revenues from after-sales service and maintenance, consulting, hotel operations, IT services and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody, consulting and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

5.6.3 Interest income
Interest income is reported on an accrual basis using the effective interest method.

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

5.6.5 Rental income
Rental income from investment properties is recognised as noted in Note 5.10.

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

5.8 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 20 years
Motor vehicles	2 to 10 years
Furniture and equipment	3 to 10 years

Any increase arising on revaluation is credited directly to other comprehensive income as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of profit or loss. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of profit or loss, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of profit or loss over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.10 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2020, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Leases (continued)

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

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

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

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Leases (continued)

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

5.11 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

5.12 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Impairment testing of goodwill and non-financial assets (continued)

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

5.13 Financial instruments

5.13.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset or

  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive (FVOCI)

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.2 Classification of financial assets

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (Note 5.13.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In this period presented, no such irrevocable designation has been made.

5.13.3 Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount is in case of default, negligence or violation of any terms and conditions of Wakala.

- *Bank balances, cash and short term deposits*

Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- *Receivables and other financial assets*

Trade receivable are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

Financial assets at amortised cost (continued)

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

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

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

- *Investment in managed portfolios and funds*
- *Investment in quoted shares*
- *Investment in unquoted equity participation*

***Financial assets at* FVOCI**
The Group's financial assets at FVOCI comprise of investments in managed portfolios and funds, equity shares (quoted shares and unquoted equity participation).

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

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

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

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets

The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances
- Short term deposits
- Wakala and sukuk investments
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses

The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets (continued)

Expected Credit Losses (continued)

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5.13.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include trust certificates issued, borrowings, leasing creditors, due to banks, trade payables and other liabilities and derivative financial instruments.

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

Financial liabilities at amortised cost
These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

- *Borrowings*

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

- *Bonds*

Bonds are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in accounts payable and other liabilities.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.5 Classification and subsequent measurement of financial liabilities (continued)

Financial liabilities at amortised cost (continued)

- *Murabaha finance payables*

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

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Derivative financial instruments

Where the Group uses derivative financial instruments, such as interest rate to mitigate its risks associated with interest rate fluctuations, such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives, if any, are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.6 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.

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

5.13.8 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34.

5.14 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. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

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

5.15 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.

Statutory 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 Articles of Association.

Other components of equity include the following:
- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD and the Group's share of foreign currency translation reserves shown in the associates statement of financial position.
- Cumulative changes in fair value – comprises gains and losses relating to financial assets at FVOCI

Retained earnings include all current and prior period profit retained/(losses) incurred. All transactions with owners of the Parent Company are recorded separately within equity.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Equity, reserves and dividend payments (continued)
Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Assembly meeting.

5.16 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 "gain on sale of 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.

5.17 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 are 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.

5.18 Foreign currency translation

5.18.1 Functional and presentation currency
The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. 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.

5.18.2 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 re-measurement 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. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "financial assets at FVOCI" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18 Foreign currency translation (continued)

5.18.3 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.

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/liquidation 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/liquidation.

5.19 End of service indemnity

The parent and its local subsidiaries 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.

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also 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.

5.20 Pensions (related to the foreign subsidiaries)

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisors. Contributions to defined contribution schemes are charged to the consolidated statement of profit or loss on an accrual basis.

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of profit or loss and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised in full in other comprehensive income.

5.21 Share-based Payment

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.22 Taxation

5.22.1 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. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

For the year ended 31 December 2019, one of the subsidiaries of the Group has no liability towards NLST in line with agreement between The Islamic Republic of Pakistan and the State of Kuwait for the "avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income" which state that income source shall be taxed only in the Contracting State.

5.22.2 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

5.22.4 Withholding taxes
The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

5.22.5 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.23 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

5.24 Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

5.25 Related party transactions
Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.26 Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the consolidated statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective yield method. Assets purchased with a corresponding commitment to resell at a specified future date at an agreed price (reverse repos) are not recognised in the consolidated statement of financial position. Amounts paid under these agreements are treated as interest earning assets and the difference between the purchase and resale price treated as interest income using the effective yield method.

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 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 5.13). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.1.3 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1. Significant management judgments (continued)

6.1.4 Revenue recognition
Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.6 are met requires significant judgement.

6.1.5 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.

6.1.6 Equity method accounting for entities in which the Group holds less than 20% of the voting rights
Management has assessed the level of influence that the Group has over its material associate, Mabanee Company - KPSC and determined that it has significant influence even though the shareholding in this associate is below 20%, because of the factors mentioned in note 22.3. Consequently, this investment has been classified as an associate and has been accounted for using the equity method.

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 goodwill and other intangible assets
The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Refer note 24).

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

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

During the year, the Group has recognised net impairment losses of KD843 thousand (2019: KD790 thousand) against accounts receivables and other assets.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.4. Useful lives of depreciable/amortisable assets

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

6.2.5. 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.

At the financial position date, gross inventories were KD36,333 thousand (2019: KD37,449 thousand), with provision for old and obsolete inventories of KD1,514 thousand (2019: KD1,501 thousand). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

6.2.6. Fair value of financial instruments

Management apply 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.

6.2.7. Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

6.2.8. Defined benefits obligation

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses

6.2.9. Provision for foreign taxation

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made (Note 25 b).

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.10. Contract revenue

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

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest 31 Dec. 2020 %	31 Dec. 2019 %
Al Durra National Real Estate – KSC (Closed)	Kuwait	Real Estate	**97***	97*
National Combined Industries Holding Company for Energy – KSC (Closed)	Kuwait	Investments	**96***	96*
Pearl National Holding – KSC (Closed)	Kuwait	Investments	**99***	99*
Economic Holding Company – KSC (Closed)	Kuwait	Investments	**97***	97*
BI Group Plc	United Kingdom	Specialist Engineering	**100**	100
Proclad Group Limited	UAE	Specialist Engineering	**100**	100
Eagle Proprietary Investments Limited	UAE	Investments	**100**	100
Pearl Offshore Enterprises Limited (note 7.3)	BVI	Investments Holdings	**100**	100
Denham Investment Limited	Cayman Islands	Investments	**85**	85
Ikarus Petroleum Industries Company – KSC (Closed)	Kuwait	Petroleum	**72**	72
National Industries Company - KPSC	Kuwait	Industrial	**50**	50
Noor Financial Investment Company – KPSC	Kuwait	Investments	**50**	50

* The Group's holding of these subsidiaries are 100% and the remaining stake is held by nominees on its behalf.

7.2 Subsidiaries with material non-controlling interests

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

Name	Proportion of ownership interests and voting rights held by the NCI 31 Dec. 2020	31 Dec. 2019	Profit/(loss) allocated to NCI 31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	Accumulated NCI 31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Noor Financial Investment Company - KPSC (NFI)	**50%**	50%	**5,961**	4,797	**48,515**	45,158
National Industries Company - KPSC (NIC)	**50%**	50%	**(849)**	1,044	**49,800**	49,921
Ikarus Petroleum Industries Company – KSC (Closed) (IPI)	**28%**	28%	**465**	1,363	**27,388**	28,674
Individual immaterial subsidiaries with non-controlling interests			**(26)**	(199)	**10,610**	6,913
			5,551	7,005	**136,313**	130,666

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)
Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 December 2020			31 December 2019		
	NFI KD '000	**NIC KD '000**	**IPI KD '000**	NFI KD '000	NIC KD '000	IPI KD '000
Total assets	**107,190**	**118,263**	**111,786**	108,230	114,363	111,665
Total liabilities	**(33,574)**	**(29,957)**	**(31,527)**	(36,976)	(25,341)	(26,397)
Non-controlling interest (including NCI in the subsidiary's statement of financial position)	**(39,974)**	**(46,178)**	**(27,030)**	(38,751)	(46,746)	(28,223)
Equity attributable to the shareholders of the Parent Company	**33,642**	**42,128**	**53,229**	32,503	42,276	57,045

	Year ended 31 December 2020			Year ended 31 December 2019		
	NFI KD '000	**NIC KD '000**	**IPI KD '000**	NFI KD '000	NIC KD '000	IPI KD '000
Revenue	**29,459**	**37,000**	**6,106**	30,251	50,990	10,619
Profit/(loss) for the year	**12,132**	**(730)**	**1,327**	8,920	4,256	4,438
Other comprehensive (loss)/income for the year	**(7,344)**	**3,531**	**358**	3,928	(741)	70
Total comprehensive income for the year	**4,788**	**2,801**	**1,685**	12,848	3,515	4,508
- attributable to the shareholders of the Parent Company	**2,331**	**1,733**	**1,030**	6,160	1,853	3,047
- attributable to NCI	**2,457**	**1,068**	**655**	6,688	1,662	1,461
Dividend paid to NCI	**(1,124)**	**(1,748)**	**-**	(962)	(1,743)	(5,378)
Net cash flow from/(used in) operating activities	**3,486**	**4,063**	**2,655**	(463)	8,188	14,344
Net cash flow from/(used in) investing activities	**7,658**	**(1,176)**	**(4,624)**	12,114	(768)	8,455
Net cash flow used in financing activities	**(8,147)**	**(4,698)**	**(4,165)**	(14,524)	(4,642)	(15,681)
Net cash inflow/(outflow)	**2,997**	**(1,811)**	**(6,134)**	(2,873)	2,778	7,118

7.3 Pearl Offshore Enterprises Limited is a special purpose vehicle (SPV) which was incorporated during the year 2011 and total assets with a carrying value of KD57,266 thousand (2019: KD110,436 thousand) and total liabilities of KD27,206 thousand (2019: KD73,205 thousand) of the Parent Company are held by the SPV.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.4 *Assets classified as held for sale and discontinued operation*

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000 (Restated)
Saudi Insulation Bricks Company - WLL (refer note a.)	(900)	(435)
Noor Al Salhiya Real Estate Co. – KSC (Closed) (NSREC) and other subsidiaries (refer note b.)	-	(1,520)
Total loss for the year from discontinued operations	(900)	(1,955)

a) Saudi Insulation Bricks Company – WLL

During the year, one of the subsidiaries of the Group approved the sale, liquidation, or merger of the above-mentioned subsidiary's 50% ownership. Consequently, the operating loss, assets and liabilities assigned to this subsidiary have been classified as discontinued operation and assets held for sale, respectively in the Group consolidated financial statements, as follows:

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Sales revenue	8	177
Cost of sales	(218)	(137)
Gross (loss)/profit	(210)	40
Gain on disposal of lands	387	-
General and administrative expenses	(1,077)	(475)
Loss for the year from discontinued operations	(900)	(435)

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

	Year ended 31 Dec. 2020 KD '000
Property, plant and equipment	5,309
Total current assets	1,003
Total assets classified as held for sale	6,312
Total current liabilities (included under accounts payable and other liabilities (note 25)	(536)
Net assets included in the disposal group	5,776

b) Noor Al Salhiya Real Estate Co. – KSC (Closed) (NSREC) and other subsidiaries

During the previous year, one of the local subsidiaries of the Group disposed 32.7% of equity interest in NSREC to a related party resulting in loss of control over NSREC by virtue of losing majority of the voting rights but retained significant influence over NSREC. As a result of the above disposal transaction, the Group also lost its control over certain other indirect subsidiaries, Noor CM Holding Company – KSC (Closed) ("NCM"), Ikarus Real Estate Company - LLC ("Ikarus Real Estate"), Sidra Middle East Company WLL ("Sidra") and National Tamouh GTC Company - WLL ("Tamouh"). Consequent to the loss of control over above indirect subsidiaries, the Group's ownership in NSREC has further diluted. Accordingly, the retained interest of 16.9% in NSREC and other indirect subsidiaries have been considered as investment in associates effective from 1 January 2019.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.4 *Assets held for sale and discontinued operation (continued)*

At the date of disposal, the fair values of the consideration and the carrying amounts of net assets disposed of the above-mentioned subsidiaries were as follows:

	Year ended 31 Dec. 2019 KD '000
Fair value of the consideration:	
- Consideration received*	3,000
- Fair value of investment property retained as a part of sale consideration**	2,890
	5,890
Fair value of retained interest in indirect subsidiaries classified as investment in associates	5,619
Additional amounts due from associate companies recognised on deconsolidation of above indirect subsidiaries	7,812
	19,321
Less: total carrying value of the net assets disposed (refer below)	(20,841)
Loss on disposal of indirect subsidiaries	(1,520)

*Cash and cash equivalents amounting to KD684 thousand (excluding consideration received) was derecognised on disposal of subsidiaries.

**As a part of the disposal transaction, the subsidiary has agreed with one of the buyers, a related party of the Group, to retain one of its existing investment properties (owned by NSREC and subsidiaries) with a carrying value of KD2,890 thousand against the consideration due.

Net assets of the disposed subsidiaries as at the date of disposal were as follows;

	31 Dec. 2019 KD '000
Bank balances, short-term deposits and wakala investments	3,837
Accounts receivables and other assets	2,838
Investment properties	29,627
Accounts payables and other liabilities	(477)
Borrowings	(8,720)
Non-controlling interests	(6,264)
Net assets as at the date of disposal attributable to the Group	20,841

8 (Loss)/income from investments

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Dividend income:		
- From financial assets at fair value through profit or loss	**8,692**	9,413
- From financial assets at fair value through other comprehensive income	**2,348**	4,625
Realised (loss)/gain on financial assets at fair value through profit or loss	**(9,893)**	8,360
Unrealised (loss)/gain on financial assets at fair value through profit or loss	**(19,473)**	68,144
Interest income on debt securities classified under financial assets at FVTPL	**19**	84
	(18,307)	90,626

Notes to the consolidated financial statements (continued)

9 Interest and other income

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Interest/profit on bank balances, short term deposits, wakala investments	**610**	1,095
Service income, management and placement fees	**162**	49
Reversal of interest expenses on legal cases on settlement	**-**	813
Reversal of impairment provision on wakala investment (Note 16)	**740**	200
Others	**1,870**	917
	3,382	3,074

10 Net (loss)/gain on financial assets and financial liabilities

Net (loss)/gain on financial assets and financial liabilities, analysed by category, is as follows:

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Financial assets at amortised cost:		
- Interest/profit on bank balances and short-term deposits	**562**	1,081
- Profit from wakala and sukuk investments	**48**	14
- impairment in value of receivable and other assets	**(834)**	(790)
- Reversal of impairment provision on wakala investment	**740**	200
Financial assets at FVTPL:		
- Realised gain	**(9,893)**	8,360
- Unrealised gain	**(19,473)**	68,144
- Dividend income	**8,692**	9,413
- Interest income on debt securities	**19**	84
Financial assets at FVOCI:		
- recognised directly in other comprehensive income (including NCI share)	**34,174**	(7,028)
- recognised directly in consolidated statement of profit or loss as dividend	**2,348**	4,625
	16,383	84,103
Financial liabilities at amortised cost:		
- Borrowings and bonds	**(23,761)**	(30,745)
	(7,378)	53,358
Net (loss)/gain recognised in the consolidated statement of profit or loss	**(41,552)**	60,386
Net gain/(loss) recognised in the consolidated statement of profit or loss and other comprehensive income	**34,174**	(7,028)
	(7,378)	53,358

11 Finance costs

Finance costs mainly relate to due to banks, borrowings, bonds and lease creditors. All these financial liabilities are stated at amortized cost.

Notes to the consolidated financial statements (continued)

12 Taxation and other statutory contributions

(a) Foreign taxation reversal/(charge)*

Taxation of subsidiaries

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Current tax expense		
Current year reversal/(charge)	**1,565**	(676)
Deferred tax expenses		
Current year expenses	**-**	(27)
	1,565	(703)

* Foreign taxation includes a net amount of KD156 thousand reversed (2019: KD642 thousand charged) by certain foreign subsidiaries which is calculated based on the tax law adopted in the United Kingdom and across European countries.

(b) KFAS, Zakat and NLST

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(27)**	(343)
Provision for Zakat	**(138)**	(469)
Provision for National Labour Support Tax (NLST)	**(8)**	(1,640)
	(173)	(2,452)

The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current year (2019: KD1,256 thousand) as the net taxable results attributable to the Parent Company was a loss.

13 (Loss)/profit for the year

(Loss)/profit for the year is stated after charging:

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Staff costs	**35,166**	36,139
Depreciation and amortisation (Note 13 a)	**8,122**	9,343

The number of staffs employed by the Parent Company at 31 December 2020 was 60 (2019: 62).

a) Depreciation includes right of use depreciation of KD906 thousand (31 December 2019: KD1,895 thousand).

Notes to the consolidated financial statements (continued)

14 Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2020	Year ended 31 Dec. 2019 (Restated)
(Loss)/profit for the year attributable to the owners of the Parent Company (KD '000)		
- From continued operations	**(51,987)**	47,275
- From discontinued operations	**(226)**	(922)
Total	**(52,213)**	46,353
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,391,309,848**	1,391,309,848
Basic and diluted (loss)/earnings per share		
- From continued operations	**(37.3) Fils**	33.9 Fils
- From discontinued operations	**(0.2) Fils**	(0.6) Fils
Total	**(37.5) Fils**	33.3 Fils

15 Cash and cash equivalents

	Effective interest/profit rate %	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Bank balances and cash	0.004% - 0.25%	**50,011**	31,798
Short term deposits	0.30% - 4.00%	**9,394**	18,189
Due to banks (a)	0.70% - 6.06%	**(23,695)**	(23,969)
		35,710	26,018
Less: Blocked balances		**(6)**	(6)
Less: Time deposits maturing after three months		**(1,250)**	(2,414)
		(1,256)	(2,420)
Cash and cash equivalents for the purpose of consolidated statement of cash flows		**34,454**	23,598

a) Due to banks include bank overdraft facilities utilised by one of the subsidiaries of the Group which are secured against short term deposits of KD623 thousand as at 31 December 2020 (2019: KD623thousand).

b) Deposits amounting to KD1,390 thousand (2019: KD Nil) are secured against borrowing (Note 26).

16 Wakala investments

	Effective profit rate % (per annum)			
	2020	2019	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000
Wakala investments				
Placed with local Islamic banks	-	3%	-	1,000
			-	1,000

Notes to the consolidated financial statements (continued)

16 Wakala investments (continued)

Wakala investments of KD14,324 thousand (31 December 2019: KD14,324 thousand) placed by a local subsidiary of the Group with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However, revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in September 2014, 2015, 2016 and 2017 respectively. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules. During the previous year, the subsidiary has signed settlement agreement with Investee Company and as per this agreement 50% shares of a local unlisted company (acquired company) have been transferred to the subsidiary.

The acquired company along with other entities are pursuing legal action in order to execute their joint rights as per previous court verdict. The management of the subsidiary is of the opinion that the financial impact of this transaction will be adjusted upon completion of the relevant legal proceedings.

During the previous years, one of the subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD1,683 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary company had placed with the above investment company as part of the total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. As noted above, the amount was fully provided in accordance with Central Bank of Kuwait rules. The subsidiary company initiated legal proceedings against the parties to recover the amount including profits thereon. During 2019 consequent to a court ruling decided in favor of the subsidiary company, the related parties entered into a settlement agreement with the subsidiary company to settle the above amount of KD1,683 thousand. The subsidiary company so far received an amount of KD1,000 thousand as per the settlement schedule and remaining amount of KD683 thousand is due in the year 2021. This has resulted in a reversal of provision on wakala investment amounting to KD800 thousand during the year 2020 (2019: KD200 thousand) in accordance with central bank of Kuwait credit provision rule.

17 Accounts receivable and other assets

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Financial assets		
Net trade receivables (Note 17 b)	**32,130**	28,109
Due from associates and related parties (Note 33)	**5,978**	9,877
Interest and other accrued income	**1,971**	846
Amount due on disposal of investments	**1,907**	299
Retentions and refundable deposits	**1,238**	1,236
Amounts due from a reverse repurchase agreement	**2,500**	-
Other financial assets	**8,151**	8,108
	53,875	48,475
Non-financial assets		
Prepayments and other assets	**3,043**	2,301
	3,043	2,301
	56,918	50,776

a) Trade receivables are non-interest bearing and generally on 30 to 120 days terms.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Notes to the consolidated financial statements (continued)

17 Accounts receivable and other assets (continued)

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

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

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Neither past due nor impaired	**16,486**	12,029
Past due but not impaired		
- 31 – 90 days	**6,497**	6,800
- more than 90 days	**9,147**	9,280
Net trade receivables	**32,130**	28,109

b) During the year, the Group recognised a net impairment loss of KD834 thousand (2019: KD790 thousand) against accounts receivables and other assets.

18 Inventories

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Finished goods and work-in-progress	**11,598**	17,228
Raw materials and consumables	**19,904**	14,718
Spare parts and others	**3,759**	3,917
Goods in transit	**1,072**	1,586
	36,333	37,449
Provision for obsolete and slow moving inventories	**(1,514)**	(1,501)
	34,819	35,948

19 Financial assets at fair value through profit or loss

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Local quoted shares	**161,871**	188,827
Foreign quoted shares	**44,373**	51,363
Unquoted equity participations	**13,862**	26,414
Quoted debt securities (held in managed portfolios)	**-**	1,326
Local funds	**2,278**	2,557
Foreign managed portfolios and funds	**91,088**	139,927
	313,472	410,414

a) Quoted shares and managed funds, held by the Group, with a fair value of KD91,710 thousand (2019: KD163,476 thousand) are secured against borrowings (Note 26).

b) Foreign managed portfolios and funds include investments in private equity funds with a carrying value of KD88,943 thousand (2019: KD137,655 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

20 Financial assets at fair value through other comprehensive income

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Local quoted shares	**8,337**	12,675
Foreign quoted shares	**33,152**	34,958
Local unquoted equity participations	**25,232**	25,321
Foreign unquoted equity participations	**142,582**	107,148
Foreign managed portfolios and funds	**21,615**	23,830
	230,918	203,932

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

b) Quoted shares with a fair value of KD29,788 thousand (2019: KD32,473 thousand) and unquoted shares with a fair value of KD320 thousand (2019: KD96 thousand) are secured against bank borrowings (Note 26).

c) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Limited, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during the current period until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

21 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Fair value as at 1 January	**60,445**	76,857
Additions	**3,574**	11,018
Disposals	**(1,550)**	-
De-recognition due to disposal of indirect subsidiaries	**-**	(26,737)
Changes in fair value	**(2,243)**	(729)
Foreign currency translation	**34**	36
	60,260	60,445

Notes to the consolidated financial statements (continued)

21 Investment properties (continued)

Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Kuwait	**49,394**	49,117
Saudi	**8,022**	7,742
Jordan	**505**	504
UAE	**1,435**	2,211
London	**904**	871
Total	**60,260**	60,445

a) Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers (Note 34.4 for details).

b) Investments properties amounting to KD39,885 thousand (2019: KD42,479 thousand) are secured against borrowings (Note 26).

22 Investment in associates

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and principal place of business	**Nature of business**	**Percentage ownership**	
			31 Dec. 2020	31 Dec. 2019
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	**35**	35
Privatization Holding Company – KPSC (Quoted)	Kuwait	Financial services	**36**	36
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	**27**	27
Mabanee Company - KPSC - (Quoted) (22.3)	Kuwait	Real estate	**18**	18

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balance as at 1 January	**324,781**	317,462
Additions during the year	**5,626**	2,997
Share of results	**5,517**	15,767
Disposal/capital reduction	**(1,328)**	(5,217)
Share of other comprehensive (loss)/income	**(9,154)**	9,971
Dividend distribution	**(8,759)**	(9,619)
Foreign currency translation adjustment	**(1,176)**	(3,804)
Impairment in value (Note 22.4)	**-**	(7,748)
Net additions due to deconsolidation of indirect subsidiaries	**-**	5,536
Other adjustments	**95**	(564)
Balance at the end of the year	**315,602**	324,781

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

22.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.

22.2 A major portion of an associate with a carrying value of KD132,727 thousand (31 December 2019: KD152,921 thousand) is kept in custody portfolio accounts with specialised institutions. This is against a Murabaha facility and a loan amounting to KD68,941 thousand (31 December 2019: KD69,866 thousand) and KD25,000 thousand (31 December 2019: KD25,000 thousand) respectively.

22.3 Although the Group owns 18% of the investee, the Group exercises significant influence over the associate by way of board representation.

22.4 Investment in associates includes quoted associates with a carrying value of KD291,999 thousand (31 December 2019: KD305,416 thousand) having quoted market value of KD283,194 thousand at 31 December 2020 (31 December 2019: KD314,017 thousand) based on published quotes. In accordance with IAS 36 "Impairment of Assets" the Group's recoverable amount of these associates (which represent the higher of fair value less costs to sell, and value in use) was in excess of their carrying value and accordingly no impairment was recognised against these investments during the year ended 31 December 2020 (31 December 2019: KD7,748 thousand).

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates named above, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

	*Mabanee Company – KPSC**		*Kuwait Cement Company – KPSC*		*Meezan Bank Ltd.**		*Privatization Holding Company – KPSC*	
	2020 KD '000	2019 KD '000	**2020 KD '000**	2019 KD '000	**2020 KD '000**	2019 KD '000	**2020 KD '000**	2019 KD '000
As at 31 December								
Total assets	**1,302,131**	1,336,763	**278,562**	315,980	**2,884,284**	2,203,582	**123,154**	128,337
Total liabilities	**(409,767)**	(418,195)	**(103,016)**	(106,653)	**(2,745,921)**	(2,080,732)	**(46,140)**	(40,934)
Non-controlling interests	**(66,972)**	(66,023)	**(148)**	(164)	**(2,389)**	(2,289)	**(568)**	(908)
Equity attributable to the owners of the associate	**825,392**	852,545	**175,398**	209,163	**135,974**	120,561	**76,446**	86,495
For the year ended 31 December								
Revenue	**22,083**	59,790	**42,465**	81,819	**201,399**	184,485	**4,364**	10,395
(Loss)/profit for the year attributable to shareholders	**(14,415)**	29,497	**(18,179)**	4,017	**42,316**	30,496	**(4,325)**	(195)
Other comprehensive income/(loss) for the year	**376**	(86)	**(12,838)**	22,532	**(7,215)**	18,666	**(2,463)**	(495)
Total comprehensive (loss)/income for the year	**(14,039)**	29,411	**(31,017)**	26,549	**35,101**	49,162	**(6,788)**	(690)
Dividends received from the associate during the year	**2,612**	2,113	**962**	2,886	**4,980**	3,883	**-**	-
As at 31 December								
Net assets of the associate attributable to the shareholders of the associate	**825,392**	852,545	**175,398**	209,163	**135,974**	120,561	**76,446**	86,495
Proportion of the Group's ownership interest	**17.90%**	17.90%	**27.16%**	27.16%	**35.25%**	35.25%	**35.82%**	35.82%
Interest in the associate	**147,745**	152,606	**47,638**	56,809	**47,931**	42,496	**27,383**	30,983
Goodwill	**10,496**	10,496	**14,893**	14,893	**4,189**	4,226	**-**	-
Impairment in value	**-**	-	**(4,706)**	(4,706)	**-**	-	**(2,564)**	(2,564)
Other adjustments	**(489)**	(467)	**3,416**	3,828	**-**	-	**(2,661)**	(4,564)
Carrying value of the investment	**157,752**	162,635	**61,241**	70,824	**52,120**	46,722	**22,158**	23,855
Fair value of the Group's interests in the quoted associates which are based on the quoted market prices available on the respective Stock Exchanges, which are Level 1 Inputs in terms of IFRS 13.	**129,374**	168,707	**45,611**	48,997	**98,402**	84,389	**8,741**	10,817

*Has been adjusted for the differences in accounting policies between Group and the associate.

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

Summarised financial information of material associates (continued)
Aggregate information of associates that are not individually material to the Group;

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Group share of results for the year	**(332)**	(1,284)
Group share of other comprehensive loss	**(3,485)**	(2,536)
Group share of total comprehensive loss	**(3,817)**	(3,820)
Aggregate carrying value of the Group interest in associates	**22,331**	20,745
Aggregate Impairment in value of associates during the year	**-**	(478)
Aggregate dividend received from the associates during the year	**205**	737

Group's share of associates' contingent liabilities:

a) The Group's share of associates' contingent liabilities amounted to KD146,681 thousand (2019: KD129,566 thousand). This includes the Group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD126,163 thousand (2019: KD94,689 thousand).

b) The local income tax authority in Pakistan has raised a demand requesting Mezzan Bank Limited, an associate of one of the subsidiaries of the Group, to pay additional tax amounting to KD3.4 million (subsidiary's share KD1.2 million) for prior years. The associate has obtained a stay order against this demand and has also filed appeals with the relevant Appellate Authorities. Subsidiary's management, in consultation with tax advisors, is confident that the decision in respect of this matter would be in subsidiary's favour and, accordingly, no provision is made in these consolidated financial statements with respect thereto.

Notes to the consolidated financial statements (continued)

23 Property, plant and equipment

Year ended 31 December 2020

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2020	3,652	22,988	276	35,600	117,468	15,857	13,081	2,855	11,007	222,784
Foreign exchange and other adjustments	-	135	3	-	1,219	6	-	36	-	1,399
Effect of disposal group classified as held for sale	(1,469)	-	-	(2,424)	(7,800)	(152)	(87)	-	(346)	(12,278)
Transfers from capital work-in progress	-	-	-	966	636	-	-	-	(1,602)	-
Additions	-	488	1	222	2,205	212	694	40	9,480	13,342
Disposals	-	-	-	(405)	(1,060)	(543)	(46)	-	-	(2,054)
At 31 December 2020	2,183	23,611	280	33,959	112,668	15,380	13,642	2,931	18,539	223,193
Accumulated depreciation and impairment losses										
At 1 January 2020	-	7,189	218	27,235	71,866	12,772	10,179	2,148	-	131,607
Foreign exchange and other adjustments	-	(82)	(13)	-	958	(10)	121	35	-	1,009
Charge for the year	-	687	36	915	4,094	719	546	85	-	7,082
Effect of disposal group classified as held for sale	-	-	-	(700)	(3,757)	(152)	(41)	-	-	(4,650)
Relating to disposals	-	-	-	(405)	(1006)	(542)	(46)	-	-	(1,999)
At 31 December 2020	-	7,794	241	27,045	72,155	12,787	10,759	2,268	-	133,049
Net book value										
At 31 December 2020	2,183	15,817	39	6,914	40,513	2,593	2,883	663	18,539	90,144

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction mainly represents the cost incurred, on the expansion of some of the subsidiaries existing factories and the construction of a 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.

Notes to the consolidated financial statements (continued)

23 Property, plant and equipment (continued)

Property plant and equipment with a carrying value of KD11,330 thousand (2019: KD10,835 thousand) are secured against borrowings (Note 26).

Year ended 31 December 2019

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2019	3,653	21,901	608	35,512	109,881	15,474	14,359	2,637	7,745	211,770
Foreign exchange and other adjustments	(1)	484	18	(345)	3,465	134	(2,543)	235	(9)	1,438
Additions/transfer	-	603	3	433	4,166	264	1,338	-	3,271	10,078
Disposals	-	-	(353)	-	(44)	(15)	(73)	(17)	-	(502)
At 31 December 2019	3,652	22,988	276	35,600	117,468	15,857	13,081	2,855	11,007	222,784
Accumulated depreciation and impairment losses										
At 1 January 2019	-	6,619	76	26,369	64,571	11,920	11,390	1,949	-	122,894
Foreign exchange and other adjustments	-	(287)	13	227	3,187	115	(2,234)	119	-	1,140
Charge for the year	-	857	129	639	4,141	752	566	80	-	7,164
Impairment	-	-	-	-	-	-	530	-	-	530
Relating to disposals	-	-	-	-	(33)	(15)	(73)	-	-	(121)
At 31 December 2019	-	7,189	218	27,235	71,866	12,772	10,179	2,148	-	131,607
Net book value										
At 31 December 2019	3,652	15,799	58	8,365	45,602	3,085	2,902	707	11,007	91,177

Notes to the consolidated financial statements (continued)

24 Goodwill and other intangible assets

24.1 Goodwill

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balance at 1 January	**9,418**	8,562
Additions	**-**	885
Foreign exchange adjustment	**238**	(29)
	9,656	9,418

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill of KD2,029 thousand (2019: KD2,029 thousand) and KD7,627 thousand (2019: KD7,389 thousand) has been allocated to the IT service business and specialist engineering unit of the Group, respectively as these are the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rates	Anticipated average growth rate of 0% to 3% (2019: 0% to 4%) per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 0% to 3% (2019: 0% to 4%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Discount rates	Discount rates of 4.8% to 17.5% (2019: 6.4% to 14%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired.

Notes to the consolidated financial statements (continued)

24 Goodwill and other intangible assets (continued)

24.2 Intangible assets – Indefeasible right of use (IRU)

Intangible asset comprises of indefeasible right of use (IRU) to a telecommunication asset arising from a subsidiary and the movement is as follows:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Cost		
At the beginning of the year	**3,268**	3,268
Addition	**191**	-
Balance at the end of the year	**3,459**	3,268
Accumulated amortization and impairment		
At the beginning of the year	**(3,134)**	(1,905)
Impairment in value of intangible assets*	**-**	(945)
Charge for the year	**(134)**	(284)
At the end of the year	**(3,268)**	(3,134)
Net book value at the end of the year	**191**	134
Total goodwill and intangible assets	**9,847**	9,552

* During the previous year, the management has performed an impairment assessment of the intangible assets and as a result recognised an impairment of KD945 thousand based on the recoverable value of the intangible assets based on fair value approach.

25 Accounts payable and other liabilities

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Financial liabilities		
Trade payables	**20,370**	18,653
Accrued interest	**2,225**	2,760
Dividend payable	**2,435**	1,809
Leasing liabilities	**9,758**	6,303
Due to associates and related parties (Note 33)	**540**	2,264
Provision for cost of gas usage for previous years (a)	**2,700**	2,700
Provision for taxation (b)	**11,230**	12,715
Staff payables	**3,015**	2,577
Amounts due to non-controlling interests on capital reduction of a subsidiary	**942**	957
Other accruals	**7,026**	5,889
Liabilities included under assets held for sale (note 7.4.a)	**536**	-
Other liabilities	**11,566**	10,521
	72,343	67,148
Non-financial liabilities		
Other creditors	**593**	2,042
	593	2,042
	72,936	69,190

Notes to the consolidated financial statements (continued)

25 Accounts payable and other liabilities (continued)

a This represents provision for cost of gas usage by one of the local subsidiaries of the Group amounting to KD2,700 thousand. During the year 2016, above subsidiary received a letter from a government owned entity which supplies gas to one of the factories of the subsidiary demanding payment for usage of gas for 2004 till 2011. The subsidiary rejected this claim on several grounds and the supplier filed a legal case against the subsidiary claiming its right to recover the amount. The court in its first hearing transferred the case to the Expert's department. Subsequently, the court issued a ruling ordering the subsidiary to pay an amount of USD9,300 thousand to the plaintiff. Accordingly, the subsidiary recorded a provision against this liability during the year ended 31 December 2016. Further, the subsidiary appealed the ruling and the judgment is still pending.

b The balance as of 31 December 2019 includes an amount of KD1,578 thousand which represents a potential tax liability of one of the local subsidiaries of the Group on dividend income received in previous years from foreign entities located in a GCC country (at the rate of 5%). No tax claims or assessments have been made by any regulatory authority as of date. However, based on advice received from consultants and other information available to the subsidiary's management, on a conservative basis, the Subsidiary provided for the above amount in a previous year. The local subsidiaries' management believes that a possibility of an outflow of resources to settle these amounts is remote and accordingly has decided to reverse the provision of KD1,578 made in previous years.

26 Borrowings and bonds

	Effective Interest rate	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Borrowings			
Short term			
Short term conventional loans	**1.19% - 3.78%**	**71,675**	150,739
Short term Islamic financing arrangements	**3.5% - 3.5%**	**13,897**	14,128
		85,572	164,867
Long term			
Long term conventional loans	**1.4% - 5.16%**		
- Current portion		**153,929**	123,218
- Due after more than one year		**198,173**	201,996
Long term Islamic financing arrangements	**2.0% - 4.25%**		
- Current portion		**104,958**	33,144
- Due after more than one year		**14,558**	80,378
		471,618	438,736
Total borrowings		**557,190**	603,603
Bonds (Note 26 c)		**55,000**	25,000
Total borrowings and bonds		**612,190**	628,603

a As of 31 December 2020, total borrowings include an amount of KD74,061thousand and KD23,185 thousand (2019: KD124,015 thousand and KD16,283 thousand) denominated in US Dollars and other foreign currencies respectively.

Notes to the consolidated financial statements (continued)

26 Borrowings and bonds (continued)

b As at 31 December 2020, total borrowings amounting to KD194,194 thousand (31 December 2019: KD242,347 thousand) are secured against cash and cash equivalents (Note 15 b), financial assets at fair value through profit and loss (Note 19 a), financial assets at fair value through other comprehensive income (Note 20 b), investment properties (Note 21 b) and property plant and equipment (Note 23).

Bonds

c During the year 2016, the Parent Company issued floating rate bonds of KD25,000 thousand at face value maturing on 20 December 2021. The bonds holders benefit from certain uncollateralized financial assets at fair value through other comprehensive income and investment in subsidiary through one of the local subsidiaries of the Group to ensure repayment.

During the year, the Parent Company issued unsecured bonds of KD30,000 thousand in two series composed of KD22,400 thousand fixed rate bonds and KD7,600 thousand floating rate bonds at face value maturing on 11 February 2025.

27 Provisions

	31 Dec. 2020 KD'000	31 Dec. 2019 KD '000
Pension liability	**1,634**	881
Provision for staff indemnity	**13,151**	12,749
Provision for land-fill expenses	**511**	483
	15,296	14,113

28 Share capital and share premium

a) As of 31 December 2020, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,427,845,728 shares of 100 Fils each (31 December 2019: 1,427,845,728 shares).

b) Share premium is not available for distribution.

29 Treasury shares

	31 Dec. 2020	31 Dec. 2019
Number of shares	**36,535,880**	36,535,880
Percentage of issued shares	**2.56%**	2.56%
Market value (KD '000)	**6,430**	8,805
Cost (KD'000)	**30,375**	30,375

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

As at 31 December 2020, an associate company of the Group held equivalent to 9.8% (2019: 9.8%) of the Parent Company's shares issued.

Notes to the consolidated financial statements (continued)

30 Cumulative changes in fair value and other components of equity

a) Cumulative changes in fair value

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balance at 1 January	**20,938**	21,679
Other comprehensive income:		
Share of other comprehensive (loss)/ income of associates		
- Changes in fair value	**(7,605)**	6,929
Net changes in fair value of investments in equity instruments designated at FVOCI	**25,167**	(7,405)
Other comprehensive income/(loss) for the year	**17,562**	(476)
Realised loss on equity investments at FVOCI	**(2,031)**	(265)
Balance at 31 December	**36,469**	20,938

b) Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances as at 31 December 2019	**19,950**	**6,382**	**18,452**	**(12,524)**	**32,260**
Transactions with owners:					
Currency translation differences	-	-	-	**556**	**556**
Other comprehensive income	-	-	-	**556**	**556**
Balances as at 31 December 2020	**19,950**	**6,382**	**18,452**	**(11,968)**	**32,816**
Balances at 31 December 2018	15,011	1,443	18,452	(11,079)	23,827
Transactions with owners:					
Currency translation differences	-	-	-	(2,242)	(2,242)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	-	-	-	797	797
Other comprehensive loss	-	-	-	(1,445)	(1,445)
Reserve transfers	4,939	4,939	-	-	9,878
Balances at 31 December 2019	19,950	6,382	18,452	(12,524)	32,260

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to statutory 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 statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

Notes to the consolidated financial statements (continued)

30 Cumulative changes in fair value and other components of equity (continued)

General reserve
In accordance with the Parent Company's Articles of Association, a certain percentage of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to the general reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

31 Non-controlling interests

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Balance at 1 January	**130,666**	143,662
Dividend paid to non-controlling interests by the subsidiaries	**(2,940)**	(8,195)
Adjustments arising on capital reduction of a subsidiary*	**(1,860)**	(3,041)
Other net changes in non-controlling interests	**(1,964)**	(4,822)
Decrease in non-controlling interest on disposal of indirect subsidiaries**	**-**	(6,264)
Transactions with non-controlling interests	**(6,764)**	(22,322)
Profit for the year	**5,551**	7,005
Other comprehensive income :		
Exchange differences arising on translation of foreign operations	**(598)**	(1,848)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	**-**	750
Share of other comprehensive (loss)/income of associates	**(1,549)**	3,042
Net changes in fair value of investments in equity instruments designated at FVOCI	**9,007**	377
Total other comprehensive income for the year	**6,860**	2,321
Total comprehensive income for the year	**12,411**	9,326
Balance at 31 December	**136,313**	130,666

* During the year, the shareholders of one of the local subsidiaries of the Group, decided to decrease its share capital by KD6,694 thousand out of which KD1,860 thousand pertains to non-controlling interests during the year.

** During the previous year, as a result of loss in control over certain indirect subsidiaries, the Group de-recognised non-controlling interests amounting to KD6,264 thousand (Note 7.4).

Notes to the consolidated financial statements (continued)

32 Segmental analysis

The Group activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000	**Year ended 31 Dec. 2020 KD '000**	Year ended 31 Dec. 2019 KD '000
Kuwait	**642,927**	686,706	**46,937**	59,194
Outside Kuwait	**544,412**	557,838	**62,962**	73,043
	1,187,339	1,244,544	**109,899**	132,237

Notes to the consolidated financial statements (continued)

32 Segmental analysis (Continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000 (Restated)	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000 (Restated)	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000 (Restated)
Segment revenue	(9,350)	112,791	36,193	48,191	60,398	70,479	13,307	13,390	100,548	244,851
Less:										
Loss/(income) from investments									18,307	(90,626)
Changes in fair value of investment properties									2,243	729
Share of result of associates									(5,517)	(15,767)
Profit on disposal of associates									-	(1,576)
Rental income									(1,950)	(2,477)
Profit from disposal of investment properties									(350)	-
Interest and other income									(3,382)	(3,074)
Sales, per consolidated statement of profit or loss									109,899	132,060
Segment (loss)/profit	(23,186)	88,073	210	3,014	375	(419)	(27)	200	(22,628)	90,868
Less:										
Finance costs									(23,761)	(30,745)
Other unallocated loss									(765)	(1,065)
(Loss)/profit before foreign taxation									(47,154)	59,058
Segment assets	975,673	1,049,826	78,787	77,109	122,170	104,309	10,709	13,300	1,187,339	1,244,544
Segment liabilities	(29,235)	(34,179)	(28,552)	(25,514)	(24,346)	(17,632)	(6,099)	(5,978)	(88,232)	(83,303)
Segment net assets	946,438	1,015,647	50,235	51,595	97,824	86,677	4,610	7,322	1,099,107	1,161,241
Borrowings, bonds and due to banks									(635,885)	(652,572)
Total equity, per consolidated statement of financial position									463,222	508,669

Notes to the consolidated financial statements (continued)

32 Segmental analysis (Continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering and chemical KD '000	Hotel and IT services KD '000	Total KD '000
At 31 December 2020					
Additions to property, plant and equipment	**304**	**2,028**	**10,877**	**133**	**13,342**
Depreciation	**31**	**4,014**	**3,470**	**473**	**7,988**
At 31 December 2019					
Additions to property, plant and equipment	441	3,338	6,299	-	10,078
Depreciation and impairments	875	4,412	4,054	248	9,589
Impairment in value Goodwill and other intangible assets	-	-	-	945	945

33 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group 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 transactions and balances are as follows:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balances included in the consolidated statement of financial position:		
Due from related parties (included in accounts receivable and other assets)		
- Due from associate companies	**4,986**	7,817
- Due from key managements personal	**70**	70
- Due from other related parties	**922**	1,990
Due to related parties (included accounts payable and other liabilities)		
- Due to associates	**20**	416
- Due to other related parties	**520**	1,848
Transactions with related parties:		
Development and construction costs	**224**	3,052
Retained Investment property of the disposed subsidiaries as a part of the disposal consideration	-	2,890
Cash consideration received for disposal of subsidiary	-	3,000
Proceeds from disposal of an associate		
-Transfer of investment at FVOCI	-	168
- Transfer of investment property	-	667
- Cash consideration	-	32

Notes to the consolidated financial statements (continued)

33 Related party transactions (continued)

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials – from associates	1,428	3,314
Impairment in value of accounts receivable and other assets	-	337
Compensation of key management personnel of the Group		
Short term employee benefits	4,352	4,449
Board of Directors' and committee remuneration including subsidiaries	495	1,271
End of service benefits	178	246
Cost of share-based payments	260	242
	5,285	6,208

34 Summary of financial assets and liabilities by category and fair value measurement

34.1 Categories of financial assets and liabilities

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

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Financial assets:		
At amortised cost:		
• Bank balances and cash	50,011	31,798
• Short term deposits	9,394	18,189
• Wakala investments	-	1,000
• Accounts receivable and other financial assets (Note 17)	53,875	48,475
	113,280	99,462
At fair value:		
• Financial assets at fair value through profit or loss (Note 19)	313,472	410,414
• Financial assets at fair value through other comprehensive income (Note 20)	230,918	203,932
	544,390	614,346
Total financial assets	657,670	713,808
Financial liabilities:		
At amortised cost:		
• Due to banks	23,695	23,969
• Accounts payable and other financial liabilities (Note 25)	72,343	67,148
• Borrowings and bonds	612,190	628,603
	708,228	719,720

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.2 Fair value measurement

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 at fair value though profit or loss, financial assets at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 34.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (Note 34.4).

34.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

At 31 December 2020

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	206,244	-	-	206,244
-Unquoted equity participations	b	-	156	13,706	13,862
-Managed portfolios and funds	c	-	3,763	89,603	93,366
Financial assets at FVOCI					
-Quoted shares	a	41,489	-	-	41,489
-Unquoted equity participations	b		79,329	88,485	167,814
-Managed portfolios and funds	c	-	499	21,116	21,615
		247,733	83,747	212,910	544,390

Notes to the consolidated financial statements (continued)

34 Summary of financial assets and liabilities by category (continued)

34.3 Fair value hierarchy (continued)

At 31 December 2019

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	240,190	-	-	240,190
-Quoted debt securities	a	1,326	-	-	1,326
-Unquoted equity participations	b	-	13,371	13,043	26,414
-Managed portfolios and funds	c	-	4,169	138,315	142,484
Financial assets at FVOCI					
-Quoted shares	a	47,633	-	-	47,633
-Unquoted equity participations	b	-	36,336	96,133	132,469
-Managed portfolios and funds	c	-	5,694	18,136	23,830
		289,149	59,570	265,627	614,346

Measurement at fair value

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

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year.

a) Quoted shares and debt instruments (Level 1 and 3)

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques (Level 3).

b) Unquoted equity participations (Level 2 and 3)

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

c) Managed portfolios and funds

Private equity funds (Level 3)

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios and funds (Level 2 and 3)

The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on periodic reports received from the portfolio/fund managers.

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.3 Fair value hierarchy (continued)

Level 3 Fair value measurements

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

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Opening balance	**265,627**	236,471
Net change in fair value	**964**	31,724
Net disposal during the year	**(53,681)**	(2,568)
Closing balance	**212,910**	265,627

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.3 Fair value hierarchy (continued)

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial assets	Fair value as at 31 Dec. 2020 KD'000	31 Dec. 2019 KD'000	Fair value hierarchy	Valuation technique	Significant unobservable Input	Sensitivity of the fair value measurement to the input	Range
Financial assets at FVTPL:							
Unquoted equity participations	**13,706**	13,043	3	Adjusted NAV	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Managed portfolios and funds	**89,603**	138,315	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Financial assets at FVOCI:							
Unquoted equity participations	**88,485**	96,133	3	Adjusted NAV basis/ DCF method/ market multiples	Long term growth rate for cash flows for subsequent years	Higher the growth rate, higher the fair value	2.4% - 3.0%
					WACC	Higher the WACC, lower the value	15.22% - 16.32%
					Discount for lack of marketability	Higher the discount rate, lower the value	15% - 40%
Managed portfolios and funds	**21,116**	18,136	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A

The impact on 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%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured level 3 of fair value hierarchy on a recurring basis at 31 December 2020 and 2019.

	31 Dec. 2020 KD'000 Level 3	31 Dec. 2019 KD'000 Level 3
Investment properties		
- Lands and buildings in Kuwait	**43,570**	46,417
- Lands and buildings in Saudi Arabia	**4,376**	4,772
- Lands and buildings in UAE	**305**	313
- Properties under development	**3,646**	2,970
- Lands in UAE	**1,130**	1,898
- Lands in Jordan	**505**	504
- Lands in Kuwait	**5,824**	2,700
- Building in London	**904**	871
	60,260	60,445

The above buildings mainly represent rental properties on freehold land categorized as "Investment Lands" (i.e land which can be used to construct multiple residential unit buildings, apartments, villas, duplex and studios), in Kuwait, UAE, London and Saudi Arabia. The freehold lands above also mainly represent lands categorized as investment lands. The fair value of the investment properties has been determined based on valuations obtained from independent valuators (two evaluator's for local properties and one evaluator for foreign properties), who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuators is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the yield method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuator who is a local/foreign reputable valuator has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used, adjustments have been incorporated for factors specific to the land in question, including plot size, location, construction/development cost and current use. For the valuation purpose for properties in Kuwait, the Group has selected the lower value of the two valuations (2019: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.4 Fair value measurement of non-financial assets (continued)

	Fair value as at 31 Dec. 2020 KD'000	31 Dec. 2019 KD'000	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair value	Range of unobservable inputs
Land and buildings in Kuwait, UAE and Saudi Arabia	**51,897**	54,472	Yield method and Market comparison approach for land and cost less depreciation for buildings	Estimated marker price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2020: KD950 to KD7,774** (2019: KD1,148 to KD7,900)
				Construction cost (per sqm)	The higher the construction cost per square meter, the higher the fair value	**2020: KD68 to KD762** (2019: KD34 to KD740)
				Average monthly rent (per sqm)	The higher the rent per square meter, the higher the fair value	**2020: KD3.8 to KD155.7** (2019: KD2.4 to KD140.37)
				Yield rate	The higher the yield rate per square meter, the higher the fair value	**2020: 6.61% to 10%** (2019: 6.26% to 13.94%)
				Vacancy rate	The higher the vacation rate, the lower the value	**2020: 10%-15%** (2019: 10%)
Freehold lands Kuwait, UAE and Jordan	**7,459**	5,102	Market comparison approach	Estimated market price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2020: KD55 to KD1,100** (2019: KD38 to KD1,150)
Building in London	**904**	871	Yield method	Average monthly rent (per sqm)	The higher the rent per square meter, the higher the fair value	**2020: KD19.03** (2019: KD11.85)
				Yield rate	The higher the yield rate, the lower the value	**2020: 6.89%** (2019: 6.11%)
				Vacancy rate	The higher the vacancy rate the lower the fair value	**2020: 0%** (2019: 10%)

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in Note 21.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long term borrowings and bond, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, wakala and sukuk investments, short term deposits and investments and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Board of Directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

35.1 Market risk

The most significant financial risks to which the Group is exposed to are described below.

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar and Saudi Riyal. The consolidated statement of financial position can be significantly affected by the movement in these currencies. 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. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the consolidated open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2020 *Equivalent* KD '000	31 Dec. 2019 *Equivalent* KD '000
US Dollars	**(46,382)**	(85,300)
Saudi Riyals	**17,223**	15,734

The Parent Company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.1 Market risk (continued)

a) Foreign currency risk (continued)

	Impact on (loss)/profit	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
US Dollars	**2,319**	4,261
Saudi Riyals	**(861)**	(787)
	1,458	3,474

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and positive for Saudi Riyals.

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.

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 on its short term deposits (Note 15), borrowings and bonds (Note 26) and due to banks (Note 15) which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000
Effect on (loss)/profit for the year	**(1,441)**	(1,504)	**4,324**	4,512

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia, Egypt, Pakistan and USA. Equity investments are classified either as "financial assets at fair value through profit or loss" or "financial assets at fair value through other comprehensive income".

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

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.1 Market risk (continued)

c) Equity price risk (continued)

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates an increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	(loss)/profit for the year		Other comprehensive income	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000
Financial assets at FVTPL	**20,624**	24,019	**-**	-
Financial assets at FVOCI	**-**	-	**4,149**	4,763
	20,624	24,019	**4,149**	4,763

For a 10% decrease in the equity prices there would be an equal and opposite impact on the (loss)/profit for the year and other comprehensive income and the amounts shown above would be negative.

35.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group 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.

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

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Bank balances and cash	**50,011**	31,798
Short term deposits	**9,394**	18,189
Wakala investments	**-**	1,000
Accounts receivable and other assets (Note 17)	**53,875**	48,475
Financial assets at fair value through profit or loss	**313,472**	410,414
Financial assets at fair value through other comprehensive income	**230,918**	203,932
	657,670	713,808

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments (Note 16) and account receivable and other asset (Note 17) respectively. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.2 Credit risk (continued)

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in Note 35.3.

35.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia and Africa KD '000	UK and Europe KD '000	USA KD '000	Total KD '000
At 31 December 2020						
Geographic region:						
Bank balances and cash	**20,265**	**17,172**	**67**	**11,818**	**689**	**50,011**
Short term deposits	**9,234**	**160**	**-**	**-**	**-**	**9,394**
Accounts receivable and other assets	**22,040**	**21,643**	**2,894**	**6,578**	**720**	**53,875**
Financial assets at FVTPL	**177,076**	**38,820**	**13,426**	**14,831**	**69,319**	**313,472**
Financial assets at FVOCI	**43,448**	**97,546**	**77,560**	**1,665**	**10,699**	**230,918**
	272,063	**175,341**	**93,947**	**34,892**	**81,427**	**657,670**
At 31 December 2019						
Geographic region:						
Bank balances and cash	22,701	4,147	42	4,583	325	31,798
Short term deposits	18,122	67	-	-	-	18,189
Wakala investments	1,000	-	-	-	-	1,000
Accounts receivable and other assets	18,447	20,799	2,623	5,974	632	48,475
Financial assets at FVTPL	202,654	74,465	1,754	8,684	122,857	410,414
Financial assets at FVOCI	39,170	107,643	42,964	1,777	12,378	203,932
	302,094	207,121	47,383	21,018	136,192	713,808

35.4 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 table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	At 31 December 2020			At 31 December 2019		
	1 year KD '000	Over 1 year KD '000	Total KD '000	1 year KD '000	Over 1 year KD '000	Total KD '000
ASSETS						
Bank balances and cash	50,011	-	50,011	31,798	-	31,798
Short term deposits	9,394	-	9,394	18,189	-	18,189
Wakala investments	-	-	-	1,000	-	1,000
Assets classified as held for sale	6,312	-	6,312	-	-	-
Accounts receivable and other assets	54,787	2,131	56,918	41,310	9,466	50,776
Inventories	34,819	-	34,819	35,948	-	35,948
Financial assets at FVTPL	95,137	218,335	313,472	141,103	269,311	410,414
Financial assets at FVOCI	95,760	135,158	230,918	49,744	154,188	203,932
Right of use of leased assets	-	9,642	9,642	-	6,532	6,532
Investment properties	1,769	58,491	60,260	2,565	57,880	60,445
Investment in associates	-	315,602	315,602	-	324,781	324,781
Property, plant and equipment	-	90,144	90,144	-	91,177	91,177
Goodwill and other intangible assets	-	9,847	9,847	-	9,552	9,552
	347,989	839,350	1,187,339	321,657	922,887	1,244,544
LIABILITIES						
Due to banks	23,695	-	23,695	23,969	-	23,969
Accounts payable and other liabilities	66,159	6,777	72,936	64,830	4,360	69,190
Borrowings and bonds*	369,459	242,731	612,190	321,243	307,360	628,603
Provisions	-	15,296	15,296	-	14,113	14,113
	459,313	264,804	724,117	410,042	325,833	735,875

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 Months KD '000	3-12 months KD '000	Over 1 year KD '000	Total KD '000
31 December 2020					
Financial liabilities (undiscounted)					
Due to banks	23,695	-	-	-	23,695
Accounts payable and other liabilities	27,587	9,168	28,811	6,777	72,343
Borrowings and bonds	37,432	59,970	295,288	273,121	665,811
	88,714	69,138	324,099	279,898	761,849
31 December 2019					
Financial liabilities (undiscounted)					
Due to banks	23,969	-	-	-	23,969
Accounts payable and other liabilities	33,690	8,506	20,592	4,360	67,148
Borrowings and bonds	86,858	57,092	200,347	357,978	702,275
	144,517	65,598	220,939	362,338	793,392

*The Group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. During the year 2020, the Group's management has successfully renewed all short-term facilities which were classified as falling due within one month and one to three months.

Notes to the consolidated financial statements (continued)

36 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure for the Group consists of the following:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Borrowings and bonds (Note 26)	**612,190**	628,603
Due to banks	**23,695**	23,969
	635,885	652,572
Less:		
Bank balances and cash	**(50,011)**	(31,798)
Short term deposits	**(9,394)**	(18,189)
Wakala investments	**-**	(1,000)
Net debt	**576,480**	601,585
Total equity	**463,222**	508,669

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2020 %	31 Dec. 2019 %
Net debt to equity ratio	**124%**	118%

37 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2020 amounted to KD8,497 thousand (2019: KD9,874 thousand) of which assets managed on behalf of related parties amounted to KD2,611 thousand (2019: KD2,569 thousand).

38 Contingent liabilities and capital commitments

At 31 December 2020, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD16,048 thousand (2019: KD18,916 thousand) and other contingencies with regard to pending litigations and tax claims amounting to Nil (2019: KD356 thousand)

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment and investment properties totalling KD18,828 thousand (2019: KD20,348 thousand).

Notes to the consolidated financial statements (continued)

39 Dividend distribution and directors' remuneration

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a 5% bonus shares which represent 71,392,286 shares of 100 Fils each amounting to KD7,139 thousand for the year ended 31 December 2020.

At the Annual General Meeting held on 30 April 2020, the shareholders approved a cash dividend of 10% (2018: 12%) equivalent to 10 Fils (2018: equivalent to 12 Fils) per share for the year ended 31 December 2019.

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a total amount of KD480 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2020.

40 Comparative information

Certain other comparative figures have been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.

41 Effect of COVID-19

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Governments worldwide imposed travel bans and strict quarantine measures in order to slow the spread of Covid-19. Business are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak remains unclear at this time. However, management of the Group is actively monitoring any effects of COVID19 may have on its business operations and financial performance.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potentially impacted due to continued uncertainties in the volatile economic environment in which the Group conducts its operations. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations.

Management is aware that a continued and persistent disruption could negatively impact the financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any negative impact on the Group.

NI Group
National Industries Group
(Holding)

Consolidated Financial Statements and Independent Auditor's Report

31 December 2019

National Industries Group Holding K.P.S.C. and Subsidiaries

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Independent auditor's report

To the shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Group Holding – Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Valuation of investments held at fair value

The Group invests in various assets classes, of which 49% of the total assets represent investments which are carried at fair value and classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income. These investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in Note 35.3. 47% of these investments are carried at fair value based on Level 1 valuations, and the balance 53% of these investments are carried at fair value either based on Level 2 or Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 2 and level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 2 and level 3, we determined this to be a key audit matter. Refer to Notes 5.13.3, 5.13.8, 6.1, 6.2, 19, 20 and 35.3 for more information on fair valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio. Agreeing the carrying value of the investments to the Group's internal and external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

Key Audit Matters (continued)

Impairment of investments in associates

The Group's investments in associates represent 26% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The investment in associates is significant to our audit due to the Group's share of results in the associates and the carrying value of these associates. In addition, significant management judgment and number of assumptions are required in the assessment of impairment, including the determination of the recoverable value of the investment based on its value-in-use, in case there is a significant or prolonged decline in value based on published price quotes. Further, the projected future cash flows and discount rates used by the Group in determining the investment's value in use are also subject to estimation uncertainty and sensitivity. Accordingly, we considered this as a key audit matter. Refer to Notes 5.4, 6.1, 6.2, and 22 for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition. We also reviewed management's assessment of the recoverable value of the investment including the reasonability of the cash flow projections and discount rates used in the value in use calculation for associates, where there was a significant or prolonged decline in value.

Other information included in the Group's 2019 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2019 other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2019 after the date of our auditor's report.

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

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

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

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

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

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.

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 2019 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
5 April 2020

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Sales		**132,237**	125,406
Cost of sales		**(110,185)**	(103,331)
Gross profit		**22,052**	22,075
Loss on disposal of indirect subsidiaries	7	**(1,520)**	-
Income from investments	8	**90,626**	44,683
Changes in fair value of investment properties	21	**(729)**	34
Share of results of associates	22	**15,767**	15,182
Profit on disposal/partial disposal of associates	22	**1,576**	4,207
Rental income		**2,477**	2,753
Interest and other income	9	**3,074**	21,994
Distribution costs		**(8,353)**	(8,602)
General, administrative and other expenses		**(26,044)**	(25,404)
Loss on foreign currency exchange		**(1,065)**	(855)
		97,861	76,067
Finance costs	11	**(30,745)**	(32,693)
Impairment in value of receivables and other assets (net of reversal)	17	**(790)**	(1,280)
Impairment in value of associates	22	**(7,748)**	-
Impairment in value of property, plant and equipment	23	**(530)**	-
Impairment in value of goodwill and other intangible assets	24	**(945)**	(3,634)
Profit before foreign taxation		**57,103**	38,460
Foreign taxation	12a	**(703)**	(1,250)
Profit before KFAS, Zakat, NLST and Directors' remuneration		**56,400**	37,210
KFAS, Zakat and NLST	12b	**(2,452)**	(1,263)
Directors' remuneration		**(590)**	(480)
Profit for the year	13	**53,358**	35,467
Profit for the year attributable to:			
Owners of the Parent Company		**46,353**	19,841
Non-controlling interests	7	**7,005**	15,626
		53,358	35,467
Basic and diluted earnings per share attributable to the owners of the Parent Company	14	**33.3 Fils**	14.3 Fils

The notes set out on pages 12 to 77 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Profit for the year	**53,358**	35,467
Other comprehensive income/(loss):		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations		
- Exchange differences arising on translation of foreign operations	**(4,090)**	(16,503)
- Transferred to consolidated statement of profit or loss on partial disposal of an associate	**1,547**	4,514
Share of other comprehensive income/(loss) of associates		
- Changes in fair value	**6,291**	(371)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**3,748**	(12,360)
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial (losses)/gains	**(34)**	1,231
Net changes in fair value of investments in equity instruments designated at FVOCI	**(7,028)**	(20,503)
Share of other comprehensive income of associates	**3,680**	25
Total other comprehensive loss not being reclassified to profit or loss in subsequent periods	**(3,382)**	(19,247)
Total other comprehensive income/(loss) for the year	**366**	(31,607)
Total comprehensive income for the year	**53,724**	3,860
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Parent Company	**44,398**	(6,540)
Non-controlling interests	**9,326**	10,400
	53,724	3,860

The notes set out on pages 12 to 77 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Assets			
Bank balances and cash	15	**31,798**	32,077
Short-term deposits	15	**18,189**	9,136
Wakala and sukuk investments	16	**1,000**	1,153
Accounts receivable and other assets	17	**50,776**	49,453
Inventories	18	**35,948**	36,587
Financial assets at fair value through profit or loss	19	**410,414**	364,713
Financial assets at fair value through other comprehensive income	20	**203,932**	216,485
Right of use of leased assets	4.1	**6,532**	-
Investment properties	21	**60,445**	76,857
Investment in associates	22	**324,781**	317,462
Property, plant and equipment	23	**91,177**	88,876
Goodwill and other intangible assets	24	**9,552**	9,925
Total assets		**1,244,544**	1,202,724
Liabilities and equity			
Liabilities			
Due to banks	15	**23,969**	23,009
Accounts payable and other liabilities	25	**69,190**	58,677
Borrowings and bonds	26	**628,603**	611,117
Provisions	27	**14,113**	13,573
Total liabilities		**735,875**	706,376
Equity attributable to owners of the Parent Company			
Share capital	28	**142,784**	135,985
Share premium	28	**122,962**	122,962
Treasury shares	29	**(30,375)**	(30,375)
Cumulative changes in fair value	30	**20,938**	21,679
Other components of equity	30	**32,260**	23,827
Retained earnings		**89,434**	78,608
Equity attributable to owners of the Parent Company		**378,003**	352,686
Non-controlling interests	31	**130,666**	143,662
Total equity		**508,669**	496,348
Total liabilities and equity		**1,244,544**	1,202,724

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 12 to 77 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 30 a) KD '000	Other components of equity (Note 30 b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests (Note 31) KD '000	Total KD '000
Balance at 1 January 2019	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686	143,662	496,348
Transactions with owners									
Decrease in non-controlling interest on disposal of indirect subsidiaries (Note 31)	-	-	-	-	-	-	-	(6,264)	(6,264)
Issue of bonus shares (Note 40)	6,799	-	-	-	-	(6,799)	-	-	-
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(8,195)	(8,195)
Dividend paid (Note 40)	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Adjustments arising on capital reduction of a subsidiary	-	-	-	-	-	-	-	(3,041)	(3,041)
Consolidation adjustments and related changes to retained earnings and non-controlling interests	-	-	-	-	-	(3,180)	(3,180)	(4,822)	(8,002)
Total transactions with owners	6,799	-	-	-	-	(25,880)	(19,081)	(22,322)	(41,403)
Comprehensive income									
Profit for the year	-	-	-	-	-	46,353	46,353	7,005	53,358
Other comprehensive (loss)/income for the year [actuarial loss and others] (Notes 30,31 and 32)	-	-	-	(476)	(1,445)	(34)	(1,955)	2,321	366
Total comprehensive (loss)/income for the year	-	-	-	(476)	(1,445)	46,319	44,398	9,326	53,724
Transfer of reserves	-	-	-	-	9,878	(9,878)	-	-	-
Realised gain on equity investments at FVOCI	-	-	-	(265)	-	265	-	-	-
Balance at 31 December 2019	142,784	122,962	(30,375)	20,938	32,260	89,434	378,003	130,666	508,669

The notes set out on pages 12 to 77 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 30 a) KD '000	Other components of equity (Note 30 b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests (Note 31) KD '000	Total KD '000
Balance at 1 January 2018	135,985	122,962	(30,375)	103,959	30,457	13,000	375,988	130,127	506,115
Adjustments arising on adoption of IFRS 9 on 1 January 2018	-	-	-	(64,220)	-	60,789	(3,431)	(481)	(3,912)
Balance at 1 January 2018 (Restated)	135,985	122,962	(30,375)	39,739	30,457	73,789	372,557	129,646	502,203
Transactions with owners									
Amounts due to non-controlling interests on capital reduction of a subsidiary (Note 31)	-	-	-	-	-	-	-	(1,069)	(1,069)
Non-controlling interests arising on acquisition of subsidiaries (Note 31)	-	-	-	-	-	-	-	6,568	6,568
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(1,655)	(1,655)
Dividend paid (Note 40)	-	-	-	-	(251)	(13,000)	(13,251)	-	(13,251)
Other net changes in non-controlling interests	-	-	-	-	-	(80)	(80)	(228)	(308)
Total transactions with owners	-	-	-	-	(251)	(13,080)	(13,331)	3,616	(9,715)
Comprehensive income									
Profit for the year	-	-	-	-	-	19,841	19,841	15,626	35,467
Other comprehensive (loss)/income for the year [actuarial gain and others] (Notes 30,31 and 32)	-	-	-	(19,075)	(8,537)	1,231	(26,381)	(5,226)	(31,607)
Total comprehensive (loss)/income for the year	-	-	-	(19,075)	(8,537)	21,072	(6,540)	10,400	3,860
Transfer of reserve	-	-	-	-	2,158	(2,158)	-	-	-
Realised loss on equity investments at FVOCI	-	-	-	1,015	-	(1,015)	-	-	-
Balance at 31 December 2018	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686	143,662	496,348

The notes set out on pages 12 to 77 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
OPERATING ACTIVITIES		
Profit before foreign taxation	**57,103**	38,460
Adjustments:		
Dividend income from financial assets at FVOCI	**(4,625)**	(3,607)
Changes in fair value of investment properties	**729**	(34)
Share of results of associates	**(15,767)**	(15,182)
Profit on disposal/partial disposal of associates	**(1,576)**	(4,207)
Interest/profit on bank balances, short-term deposits and wakala investments	**(1,095)**	(1,055)
Gain on acquisition of subsidiary	**-**	(593)
Discount on settlement of borrowings	**-**	(17,041)
Net provisions (released)/charged	**540**	(1,684)
Depreciation and amortisation	**9,343**	7,419
Impairment in value of goodwill and other intangible assets	**945**	3,634
Impairment in value of associates	**7,748**	-
Impairment in value of receivable and other assets (net of reversal)	**790**	1,280
Impairment in value of property plant and equipment	**530**	-
Finance costs	**30,745**	32,693
Loss on disposal of indirect subsidiaries	**1,520**	-
Other non-cash adjustments	**-**	(351)
	86,930	39,732
Changes in operating assets and liabilities:		
Inventories	**639**	(2,444)
Accounts receivable and other assets	**3,894**	43,977
Financial assets at fair value through profit or loss	**(45,701)**	(833)
Accounts payable and other liabilities	**(7,068)**	545
Cash from operations	**38,694**	80,977
Taxation paid	**(1,332)**	(666)
KFAS, Zakat and NLST paid	**(382)**	(46)
Net cash from operating activities	**36,980**	80,265

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(10,078)**	(12,745)
Proceeds from disposal of property, plant and equipment		**381**	66
Additions to investment properties		**(10,351)**	(10,359)
Investment in associates		**(2,997)**	(2,107)
Dividend received from associate companies		**9,619**	9,984
Proceeds from disposal/capital reduction of associates		**7,505**	17,200
Purchase of financial assets at FVOCI		**(1,988)**	(14,366)
Proceeds from sale of financial assets at FVOCI		**9,931**	12,464
Dividend income on financial assets at FVOCI		**4,625**	3,607
Decrease in cash on disposal of indirect subsidiaries		**(684)**	(326)
Increase of short-term deposits		**(2,414)**	-
Decrease in blocked deposits		**-**	213
Interest/profit on bank balances, short-term deposits, wakala investments		**310**	762
Net cash from investing activities		**3,859**	4,393
FINANCING ACTIVITIES			
Net increase/(decreased) in borrowings		**26,206**	(49,069)
Dividend paid to the owners of the Parent Company		**(15,392)**	(12,075)
Dividend paid to non-controlling interest		**(8,195)**	(1,655)
Finance costs paid		**(30,191)**	(32,870)
Change in non-controlling interests		**(7,863)**	5,271
Net cash used in financing activities		**(35,435)**	(90,398)
Net increase/(decrease) in cash and cash equivalents		**5,404**	(5,740)
Translation difference		**(4)**	16
		5,400	(5,724)
Cash and cash equivalents at beginning of the year		**18,198**	23,922
Cash and cash equivalents at end of the year	15	**23,598**	18,198

The notes set out on pages 12 to 77 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Group Holding – KPSC ("the Parent Company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 5 April 2020. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation properties, the measurement at fair value of financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

3 Statement of compliance

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

4 Changes 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 2019 which have been adopted by the Group. Information on these new standards which are relevant to the Group, is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 16 Leases	1 January 2019
IAS 28 – Amendments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group

IFRS 16 Leases

The Group has adopted IFRS 16 Leases effective from 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by an impairment loss, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings.

The Group presents right-of-use assets separately and lease liabilities in "accounts payable and other liabilities" in the consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 31 December 2019 amounted to KD6,532 thousand (KD8,427 thousand 01 January 2019) and KD6,303 thousand (KD8,460 thousand 01 January 2019) respectively.

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current year amounted to KD1,895 thousand and KD629 thousand and are included in "general and administrative expenses" and "finance costs" respectively in the consolidated financial statement of profit or loss.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments,* including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These include long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture.

The adoption of this amendment did not result in any significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

Amendments to IFRS 3 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group

Annual Improvements to IFRSs 2015-2017 Cycle (continued)

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings

The adoption of these amendments did not result in any significant impact on the Group's consolidated financial statements.

Several other amendments and interpretations apply for the first time in 2019, but are not relevant and/or do not have a material impact on the consolidated financial statements of the Group.

4.2 IASB Standards issued but not yet effective

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

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to be relevant and/or 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 an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

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

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 3 – Amendments
The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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.

IAS 1 and IAS 8 – Amendments
The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. 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. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, 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. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

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 the consolidated statement of profit or loss.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

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

5.3 Goodwill and other intangible assets

5.3.1 Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 24 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 5.12 for a description of impairment testing procedures.

5.3.2 Other intangible assets
Identifiable non-monetary assets acquired in as business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of Indefeasible Rights of Use (IRU).

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.4 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 share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

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.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Segment reporting

The Group has four operating segments: Investment, building materials, specialist engineering and hotel and IT services 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.

For management purposes, the Group uses the same measurement policies as those used in its 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.

5.6 Revenue

Revenue arises from sale of goods, rendering of services, investing and real estate activities.

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

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

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)
The Group recognises revenue from the following major sources:

5.6.1 Sale of goods
Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

5.6.2 Rendering of services
The Group generates revenues from after-sales service and maintenance, consulting, hotel operations, IT services and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody, consulting and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

5.6.3 Interest income
Interest income is reported on an accrual basis using the effective interest method.

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

5.6.5 Rental income
Rental income from investment properties is recognised as noted in Note 5.10.

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

5.8 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 20 years
Motor vehicles	2 to 10 years
Furniture and equipment	3 to 10 years

Any increase arising on revaluation is credited directly to other comprehensive income as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of profit or loss over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.10 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Leases (continued)

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

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

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

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Leases (continued)

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

5.11 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

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

5.12 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Impairment testing of goodwill and non-financial assets (continued)

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

5.13 Financial instruments

5.13.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset or

  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive (FVOCI)

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.2 Classification of financial assets
The classification is determined by both:

• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset

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

• the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (Note 5.13.3); and
• the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In this period presented, no such irrevocable designation has been made.

5.13.3 Subsequent measurement of financial assets

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

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

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

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

• *Wakala investments*
Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount is in case of default, negligence or violation of any terms and conditions of Wakala.

• *Bank balances, cash and short term deposits*
Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

• *Receivables and other financial assets*
Trade receivable are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

Financial assets at amortised cost (continued)

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

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

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

- *Investment in managed portfolios and funds*
- *Investment in quoted shares*
- *Investment in unquoted equity participation*

Financial assets at FVOCI
The Group's financial assets at FVOCI comprise of investments in managed portfolios and funds, equity shares (quoted shares and unquoted equity participation).

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

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

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

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets
The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances
- Short term deposits
- Wakala and sukuk investments
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses
The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to
have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment
At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets (continued)

Expected Credit Losses (continued)

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5.13.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include trust certificates issued, borrowings, leasing creditors, due to banks, trade payables and other liabilities and derivative financial instruments.

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

Financial liabilities at amortised cost
These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Bonds*

Bonds are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in accounts payable and other liabilities.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.5 Classification and subsequent measurement of financial liabilities (continued)

Financial liabilities at amortised cost (continued)

- *Murabaha finance payables*

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

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

Financial liabilities at fair value through profit or loss (FVTPL)
Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Derivative financial instruments
Where the Group uses derivative financial instruments, such as interest rate to mitigate its risks associated with interest rate fluctuations, such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives, if any, are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.6 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.

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

5.13.8 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

5.14 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. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

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

5.15 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.

Statutory 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 Articles of Association.

Other components of equity include the following:
- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD and the Group's share of foreign currency translation reserves shown in the associates statement of financial position.
- Cumulative changes in fair value – comprises gains and losses relating to financial assets at FVOCI

Retained earnings include all current and prior period profit retained/(losses) incurred. All transactions with owners of the Parent Company are recorded separately within equity.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Equity, reserves and dividend payments (continued0

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

5.16 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 "gain on sale of 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.

5.17 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 are 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.

5.18 Foreign currency translation

5.18.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. 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.

5.18.2 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 re-measurement 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. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "financial assets at FVOCI" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18 Foreign currency translation (continued)

5.18.3 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.

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/liquidation 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/liquidation.

5.19 End of service indemnity

The parent and its local subsidiaries 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.

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also 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.

5.20 Pensions (related to the foreign subsidiaries)

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisors. Contributions to defined contribution schemes are charged to the consolidated statement of profit or loss on an accrual basis.

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of profit or loss and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised in full in other comprehensive income.

5.21 Share-based Payment

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.22 Taxation

5.22.1 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. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

For the year ended 31 December 2018, one of the subsidiaries of the Group has no liability towards NLST in line with agreement between The Islamic Republic of Pakistan and the State of Kuwait for the "avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income" which state that income source shall be taxed only in the Contracting State.

5.22.2 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

5.22.4 Withholding taxes
The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

5.22.5 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.23 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

5.24 Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

5.25 Related party transactions
Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

Notes to the consolidated financial statements (continued)

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 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 5.13). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since
initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.1.3 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6.1.4 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.6 are met requires significant judgement.

6.1.5 Control assessment

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1. Significant management judgments (continued)

6.1.6 Equity method accounting for entities in which the Group holds less than 20% of the voting rights

Management has assessed the level of influence that the Group has over its material associate, Mabanee Company - KPSC and determined that it has significant influence even though the shareholding in this associate is below 20%, because of the factors mentioned in note 22.3. Consequently, this investment has been classified as an associate and has been accounted for using the equity method.

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 goodwill and other intangible assets

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Refer note 24).

6.2.2. Impairment of associates

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

6.2.3. Impairment of financial assets

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

During the year, the Group has recognised net impairment losses of KD790 thousand (2018: KD1,280 thousand) against accounts receivables and other assets.

6.2.4. Useful lives of depreciable/amortisable assets

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.5. 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.

At the financial position date, gross inventories were KD37,449 thousand (2018: KD38,005 thousand), with provision for old and obsolete inventories of KD1,501 thousand (2018: KD1,418 thousand). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

6.2.6. Fair value of financial instruments

Management apply 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.

6.2.7. Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

6.2.8. Defined benefits obligation

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses (as analysed in Note 32).

6.2.9. Provision for foreign taxation

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made (Note 25 b).

6.2.10. Contract revenue

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

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest 31 Dec. 2019 %	31 Dec. 2018 %
Al Durra National Real Estate – KSC (Closed)	Kuwait	Real Estate	**97***	97*
National Combined Industries Holding Company for Energy – KSC (Closed)	Kuwait	Investments	**96***	96*
Pearl National Holding – KSC (Closed)	Kuwait	Investments	**99***	99*
Economic Holding Company – KSC (Closed)	Kuwait	Investments	**97***	97*
BI Group Plc	United Kingdom	Specialist Engineering	**100**	100
Proclad Group Limited	UAE	Specialist Engineering	**100**	100
Eagle Proprietary Investments Limited	UAE	Investments	**100**	100
Pearl Offshore Enterprises Limited (note 7.3)	BVI	Investments Holdings	**100**	100
Denham Investment Limited	Cayman Islands	Investments	**85**	85
Ikarus Petroleum Industries Company – KSC (Closed)	Kuwait	Petroleum	**72**	72
National Industries Company - KPSC	Kuwait	Industrial	**50**	50
Noor Financial Investment Company – KPSC	Kuwait	Investments	**50**	50

* The Group's holding of these subsidiaries are 100% and the remaining stake is held by nominees on its behalf.

7.2 Subsidiaries with material non-controlling interests

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

Name	Proportion of ownership interests and voting rights held by the NCI 31 Dec. 2019	31 Dec. 2018	Profit allocated to NCI 31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	Accumulated NCI 31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Noor Financial Investment Company - KPSC (NFI)	**50%**	50%	**4,797**	10,732	**45,158**	48,092
National Industries Company - KPSC (NIC)	**50%**	50%	**1,044**	1,737	**49,921**	51,250
Ikarus Petroleum Industries Company – KSC (Closed) (IPI)	**28%**	28%	**1,363**	3,050	**28,674**	35,997
Individual immaterial subsidiaries with non-controlling interests			**(199)**	107	**6,913**	8,323
			7,005	15,626	**130,666**	143,662

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)
Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 December 2019			31 December 2018		
	NFI KD '000	NIC KD '000	IPI KD '000	NFI KD '000	NIC KD '000	IPI KD '000
Total assets	**108,230**	**114,363**	**111,665**	131,309	112,032	121,851
Total liabilities	**(36,976)**	**(25,341)**	**(26,397)**	(61,713)	(23,091)	(10,581)
Non-controlling interest (including NCI in the subsidiary's statement of financial position)	**(38,751)**	**(46,746)**	**(28,223)**	(41,943)	(46,794)	(35,182)
Equity attributable to the shareholders of the Parent Company	**32,503**	**42,276**	**57,045**	27,653	42,147	76,088

	Year ended 31 December 2019			Year ended 31 December 2018		
	NFI KD '000	NIC KD '000	IPI KD '000	NFI KD '000	NIC KD '000	IPI KD '000
Revenue	**30,251**	**50,990**	**10,619**	48,971	54,791	15,821
Profit for the year	**8,920**	**4,256**	**4,438**	23,798	3,773	10,428
Other comprehensive income/(loss) for the year	**3,928**	**(741)**	**70**	(13,602)	(2,222)	2,051
Total comprehensive income for the year	**12,848**	**3,515**	**4,508**	10,196	1,551	12,479
- attributable to the shareholders of the Parent Company	**6,160**	**1,853**	**3,047**	6,507	869	8,830
- attributable to NCI	**6,688**	**1,662**	**1,461**	3,689	682	3,649
Dividend paid to NCI	**(962)**	**(1,743)**	**(5,378)**	-	(1,397)	-
Net cash flow (used in)/ from operating activities	**(463)**	**8,188**	**14,344**	6,098	4,697	32,525
Net cash flow from/(used in) investing activities	**12,114**	**(768)**	**8,455**	30,025	(3,305)	(26,338)
Net cash flow used in financing activities	**(14,524)**	**(4,642)**	**(15,681)**	(39,318)	(2,990)	(11,322)
Net cash (outflow)/inflow	**(2,873)**	**(2,778)**	**7,118**	**(3,195)**	**(1,598)**	**(5,135)**

7.3 Pearl Offshore Enterprises Limited is a special purpose vehicle (SPV) which was incorporated during the year 2011 and total assets with a carrying value of KD110,436 thousand (2018: KD113,092 thousand) and total liabilities of KD73,205 thousand (2018: KD73,085 thousand) of the Parent Company are held by the SPV.

7.4 *Disposal of subsidiaries*
As at 31 December 2018, one of the local subsidiaries of the Group ("the subsidiary") held 59.1% of equity interest in Noor Al Salhiya Real Estate Co. – KSC (Closed) ("NSREC"), an indirect subsidiary of the Group. During the period, the subsidiary disposed 32.7% of equity interest in NSREC to a related party resulting in loss of control over NSREC by virtue of losing majority of the voting rights but retained significant influence over NSREC. As a result of the above disposal transaction, the Group also lost its control over certain other indirect subsidiaries, Noor CM Holding Company – KSC (Closed) ("NCM"), Ikarus Real Estate Company - LLC ("Ikarus Real Estate"), Sidra Middle East Company WLL ("Sidra") and National Tamouh GTC Company - WLL ("Tamouh"). Consequent to loss of control over above indirect subsidiaries, the Group's ownership in NSREC has further diluted. Accordingly, the retained interest of 16.9% in NSREC and other indirect subsidiaries have been considered as investment in associates effective from 1 January 2019.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.4 *Disposal of subsidiaries (continued)*

a) At the date of disposal, the fair values of the consideration and the carrying amounts of net assets disposed of the above mentioned subsidiaries were as follows:

	KD '000
Fair value of the consideration:	
- Consideration received*	3,000
- Fair value of investment property retained as a part of sale consideration**	2,890
	5,890
Fair value of retained interest in indirect subsidiaries classified as investment in associates	5,619
Additional amounts due from associate companies recognised on deconsolidation of above indirect subsidiaries	7,812
	19,321
Less: total carrying value of the net assets disposed (refer below 7 b)	(20,841)
Loss on disposal of indirect subsidiaries	**(1,520)**

*Cash and cash equivalents amounting to KD684 thousand (excluding consideration received) was derecognised on disposal of subsidiaries (refer below 7 b).

**As a part of the disposal transaction, the subsidiary has agreed with one of the buyers, a related party of the Group, to retain one of its existing investment properties (owned by NSREC and subsidiaries) with a carrying value of KD2,890 thousand against the consideration due.

b) Net assets of the disposed subsidiaries as at the date of disposal were as follows;

	KD '000
Assets	
Bank balances and cash	2,112
Short term deposits	1,572
Wakala and sukuk investments	153
Accounts receivables and other assets	2,589
Financial assets at FVOCI	166
Investment properties	29,627
Investment in associates	83
	36,302
Less: Liabilities and non-controlling interests	
Accounts payables and other liabilities	(477)
Borrowings	(8,720)
Non-controlling interests	(6,264)
Net assets as at the date of disposal attributable to the Group	**20,841**

8 Income from investments

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Dividend income:		
- From financial assets at fair value through profit or loss	9,413	8,345
- From financial assets at fair value through other comprehensive income	4,625	3,607
Realised gain on financial assets at fair value through profit or loss	8,360	4,487
Unrealised gain on financial assets at fair value through profit or loss	68,144	28,163
Interest income on debt securities classified under financial assets at FVTPL	84	81
	90,626	44,683

Notes to the consolidated financial statements (continued)

9 Interest and other income

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Interest/profit on bank balances, short term deposits, wakala investments	**1,095**	1,055
Gain on acquisition of subsidiary (negative goodwill)	**-**	593
Service income, management and placement fees	**49**	340
Discount on settlement of borrowings (Note 26 b)	**-**	17,041
Net gain relating to liquidated/disposed foreign subsidiaries	**-**	1,732
Reversal of interest expenses on legal cases on settlement*	**813**	-
Reversal of impairment provision on wakala investment (Note 16)	**200**	-
Others	**917**	1,233
	3,074	21,994

* This was accrued during the year ended 31 December 2018 as finance cost based on a court decision received against one of the indirect subsidiaries of the Group. This amount has been reversed based on the out of court settlement agreement entered between the management of the subsidiary and the counter party to settle the dues without any payment for the above-mentioned interest accrued. Accordingly, the subsidiary has settled an amount of KD2,300 thousand during the year which was already included under accounts payables and other liabilities as at 31 December 2018.

10 Net gain/(loss) on financial assets and financial liabilities

Net gain/(loss) on financial assets and financial liabilities, analysed by category, is as follows:

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Financial assets at amortised cost:		
- Interest/profit on bank balances and short term deposits	**1,081**	1,034
- Profit from wakala and sukuk investments	**14**	21
- Income from future trade customers (on accounts receivable and other assets)	**-**	7
- impairment in value of receivable and other assets	**(790)**	(1,280)
- Reversal of impairment provision on wakala investment	**200**	-
Financial assets at FVTPL:		
- Realised gain	**8,360**	4,487
- Unrealised gain	**68,144**	28,163
- Dividend income	**9,413**	8,345
- Interest income on debt securities	**84**	81
Financial assets at FVOCI:		
- recognised directly in other comprehensive income (including NCI share)	**(7,028)**	(20,503)
- recognised directly in consolidated statement of profit or loss as dividend	**4,625**	3,607
	84,103	23,962
Financial liabilities at amortised cost:		
- Borrowings and bonds	**(30,745)**	(32,693)
- Discount on settlement of borrowings	**-**	17,041
	53,358	8,310
Net gain recognised in the consolidated statement of profit or loss	**60,386**	28,813
Net loss recognised in the consolidated statement of profit or loss and other comprehensive income	**(7,028)**	(20,503)
	53,358	8,310

Notes to the consolidated financial statements (continued)

11 Finance costs

Finance costs mainly relate to due to banks, borrowings, bonds and lease creditors. All these financial liabilities are stated at amortized cost.

12 Taxation and other statutory contributions

(a) Foreign taxation*

Taxation of subsidiaries

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Current tax expense		
Current year charge	**(676)**	(1,201)
Deferred tax expenses		
Current year expenses	**(27)**	(49)
	(703)	(1,250)

* Foreign taxation includes an amount of KD642 thousand charged (2018: KD518 thousand charged) by certain foreign subsidiaries which is calculated based on the tax law adopted in United Kingdom.

(b) KFAS, Zakat and NLST

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(343)**	(310)
Provision for Zakat	**(469)**	(437)
Provision for National Labour Support Tax (NLST)	**(1,640)**	(516)
	(2,452)	(1,263)

13 Profit for the year

Profit for the year is stated after charging:

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Staff costs	**36,139**	35,091
Depreciation and amortisation	**9,343**	7,419

The number of staffs employed by the Parent Company at 31 December 2019 was 62 (2018: 61).

Notes to the consolidated financial statements (continued)

14 Basic and diluted earnings per share attributable to the owners of the Parent Company

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

	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Profit for the year attributable to the owners of the Parent Company (KD '000)	**46,353**	19,841
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,391,309,848**	1,391,309,848
Basic and diluted earnings per share	**33.3 Fils**	14.3 Fils

The weighted average number of shares outstanding during previous year has been restated to add the bonus shares issued during the current year as approved at the Annual General Meeting of the Parent Company's shareholders held on 2 May 2019 (Note 40).

The basic and diluted earnings per share reported during the previous year was 15 Fils.

15 Cash and cash equivalents

	Effective interest/profit rate %	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Bank balances and cash	0.25% - 0.62%	**31,798**	32,077
Short term deposits	1.35% - 3.5%	**18,189**	9,136
Due to banks (a)	4.5% - 6.0%	**(23,969)**	(23,009)
		26,018	18,204
Less: Blocked balances		**(6)**	(6)
Less: Time deposits maturing after three months		**(2,414)**	-
		(2,420)	(6)
Cash and cash equivalents for the purpose of consolidated statement of cash flows		**23,598**	18,198

a) Due to banks include bank overdraft facilities utilised by one of the subsidiaries of the Group which are secured against short term deposits of KD623 thousand as at 31 December 2019 (2018: KD610 thousand).

16 Wakala and sukuk investments

	Effective profit rate % (per annum) 2019	2018	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Wakala investments				
Placed with local Islamic banks	**3%**	3%	**1,000**	1,000
Sukuk investments			**-**	153
			1,000	1,153

Notes to the consolidated financial statements (continued)

16 Wakala and sukuk investments (continued)

Wakala investments of KD14,324 thousand (31 December 2018: KD14,324 thousand) placed by a local subsidiary of the Group with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However, revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in June 2014, 2015, 2016 and 2017 respectively. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules. During the year, the subsidiary has signed settlement agreement with Investee Company and as per this agreement 50% shares of a local unlisted company (acquired company) have been transferred to the subsidiary. The acquired company along with other entities are pursuing legal action in order to execute their joint rights as per previous court verdict. The management of the subsidiary is of the opinion that the financial impact of this transaction will be adjusted upon completion of the relevant legal proceedings.

During the previous years, one of the subsidiary is assumed the financial and legal obligations on wakala investments of KD1,683 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the above investment company as part of the total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. As noted above, the amount was fully provided in accordance with Central Bank of Kuwait rules. The subsidiary initiated legal proceedings against the parties to recover the amount including profits thereon. During the year, consequent to a court ruling decided in favor of the subsidiary, the related parties entered into a settlement agreement with the subsidiary to settle the above amount of KD1,683 thousand. The subsidiary received partial payment of KD200 thousand during the year as per the settlement agreements and remaining amount of KD800 thousand and KD683 thousand to be received in 2020 and 2021 respectively. This has resulted in a reversal of provision on wakala investment amounting to KD200 thousand in accordance with Central Bank of Kuwait credit provisioning rules.

17 Accounts receivable and other assets

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Financial assets		
Net trade receivables (Note 17 b)	**28,109**	29,857
Due from associates and related parties (Note 34)	**9,877**	6,866
Interest and other accrued income	**846**	1,168
Retentions and refundable deposits	**1,236**	1,026
Other financial assets	**8,407**	6,158
	48,475	45,075
Non-financial assets		
Prepayments and other assets	**2,301**	4,378
	2,301	4,378
	50,776	49,453

a) Trade receivables are non-interest bearing and generally on 30 to 120 days terms.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Notes to the consolidated financial statements (continued)

17 Accounts receivable and other assets (continued)

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

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

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Neither past due nor impaired	**12,029**	19,501
Past due but not impaired		
- 31 – 90 days	**6,800**	5,552
- more than 90 days	**9,280**	4,804
Net trade receivables	**28,109**	29,857

b) During the year, the Group recognised a net impairment loss of KD790 thousand (2018: KD1,280 thousand) against accounts receivables and other assets.

18 Inventories

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Finished goods and work-in-progress	**17,228**	18,158
Raw materials and consumables	**14,718**	15,091
Spare parts and others	**3,917**	3,705
Goods in transit	**1,586**	1,051
	37,449	38,005
Provision for obsolete and slow moving inventories	**(1,501)**	(1,418)
	35,948	36,587

19 Financial assets at fair value through profit or loss

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Local quoted shares	**188,827**	147,920
Foreign quoted shares	**51,363**	66,573
Unquoted equity participations	**26,414**	21,642
Quoted debt securities (held in managed portfolios)	**1,326**	1,299
Local funds	**2,557**	2,508
Foreign managed portfolios and funds	**139,927**	124,771
	410,414	364,713

a) Quoted shares and managed funds, held by the Group, with a fair value of KD163,476 thousand (2018: KD151,276 thousand) are secured against borrowings (Note 26).

b) Foreign managed portfolios and funds include investments in private equity funds with a carrying value of KD137,655 thousand (2018: KD122,626 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

20 Financial assets at fair value through other comprehensive income

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Local quoted shares	12,675	10,220
Foreign quoted shares	34,958	35,634
Local unquoted equity participations	25,321	23,651
Foreign unquoted equity participations	107,148	117,403
Foreign managed portfolios and funds	23,830	29,577
	203,932	216,485

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

b) Quoted shares with a fair value of KD32,473 thousand (2018: KD32,651 thousand) and unquoted shares with a fair value of KD96 thousand (2018: KD168 thousand) are secured against bank borrowings (Note 26).

c) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Limited, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during the current period until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

21 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Fair value as at 1 January	76,857	66,121
Additions	11,018	10,711
De-recognition due to disposal of indirect subsidiaries (Note 7 b)	(26,737)	-
Changes in fair value	(729)	34
Foreign currency translation	36	(9)
	60,445	76,857

Notes to the consolidated financial statements (continued)

21 Investment properties (continued)

Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Kuwait	**49,117**	57,666
Saudi	**7,742**	6,579
Jordan	**504**	504
UAE	**2,211**	11,264
London	**871**	844
Total	**60,445**	76,857

a) Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers (Note 35.4 for details).

b) Investments properties amounting to KD42,479 thousand (2018: KD50,482 thousand) are secured against borrowings (Note 26).

22 Investment in associates

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and principal place of business	Nature of business	Percentage ownership 31 Dec. 2019	Percentage ownership 31 Dec. 2018
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	**35**	49
Privatization Holding Company – KPSC (Quoted)	Kuwait	Financial services	**36**	36
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	**27**	26
Mabanee Company - KPSC - (Quoted) (22.3)	Kuwait	Real estate	**18**	18

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Balance at 1 January (previously reported)	**317,462**	336,045
Adjustments arising from adoption of IFRS 9 on 1 January 2018	**-**	(1,153)
Balance as at 1 January 2018 – restated	**317,462**	334,892
Additions during the year	**2,997**	2,107
Share of results	**15,767**	15,182
Disposal/capital reduction (Note 22.5)	**(5,217)**	(12,993)
Share of other comprehensive income/(loss)	**9,971**	(346)
Dividend distribution	**(9,619)**	(9,984)
Foreign currency translation adjustment	**(3,804)**	(11,485)
Impairment in value (Note 22.4)	**(7,748)**	-
Net additions due to deconsolidation of indirect subsidiaries (Note 7.4 a)	**5,536**	-
Other adjustments	**(564)**	89
Balance at the end of the year	**324,781**	317,462

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

22.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.

22.2 A major portion of an associate with a carrying value of KD152,921 thousand (2018: KD145,977 thousand) is kept in a custody portfolio account with specialised institution (Note 26 d).

22.3 Although the Group owns 18% of the investee, the Group exercises significant influence over the associate by way of board representation.

22.4 Investment in associates includes quoted associates with a carrying value of KD305,416 thousand (2018: KD299,573 thousand) having quoted market value of KD314,017 thousand at 31 December 2019 (2018: KD280,921 thousand) based on published quotes. In accordance with IAS 36 "Impairment of Assets" the Group's recoverable amount of two associates (which represent the higher of fair value less costs to sell, and value in use) was below their carrying value and accordingly an impairment of KD KD7,270 thousand (31 December 2018: Nil) was recognised against these investments during the year ended 31 December 2019.

22.5 During the year, one of the local subsidiaries of the Group partially disposed (3% out of its holding of 38% at 31 December 2018) one of its foreign associates (Meezan Bank Ltd.) for a net consideration of KD6,374 thousand resulting in a net gain of KD1,597 thousand. At 31 December 2019 the Group's ownership in this associate reduced to 35%.

During the fourth quarter of 2019, the same local subsidiary disposed of its remaining 49.5% stake in Noor CM Holding Company - KSC to a related party for a consideration of KD 867 thousand resulting in a net gain of KD81 thousand. The consideration consists of in kind consideration of KD835 thousand (investment property amounting to KD667 thousand and investments at FVOCI amounting to KD168 thousand) and cash consideration of KD32 thousand.

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

22.6 Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates named above, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

	*Mabanee Company – KPSC**		*Kuwait Cement Company – KPSC*		*Meezan Bank Ltd.**		*Privatization Holding Company – KPSC*	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	KD '000	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000
As at 31 December								
Total assets	**1,336,763**	1,271,000	**315,980**	301,912	**2,203,582**	2,041,717	**128,337**	133,540
Total liabilities	**(418,195)**	(377,361)	**(106,653)**	(108,754)	**(2,080,732)**	(1,947,242)	**(40,934)**	(46,855)
Non-controlling interests	**(66,023)**	(61,325)	**(164)**	(145)	**(2,289)**	(2,182)	**(908)**	(907)
Equity attributable to the owners of the associate	**852,545**	832,314	**209,163**	193,013	**120,561**	92,293	**86,495**	85,778
For the year ended 31 December								
Revenue	**28,776**	31,044	**81,819**	96,259	**184,485**	105,428	**10,395**	8,108
Profit/(loss) for the year attributable to shareholders	**29,497**	23,332	**4,017**	7,943	**30,496**	19,420	**(195)**	(5,351)
Other comprehensive (loss)/income for the year	**(86)**	(1,249)	**22,532**	2,760	**18,666**	(1,883)	**(495)**	(427)
Total comprehensive income/(loss) for the year	**29,411**	22,083	**26,549**	10,703	**49,162**	17,537	**(690)**	(5,778)
Dividends received from the associate during the year	**2,113**	1,669	**2,886**	3,797	**3,883**	2,913	**-**	1,190
As at 31 December								
Net assets of the associate attributable to the shareholders of the associate	**852,545**	832,314	**209,163**	193,013	**120,561**	92,293	**86,495**	85,778
Proportion of the Group's ownership interest	**17.90%**	17.88%	**27.16%**	26.10%	**35.25%**	38.18%	**35.82%**	35.82%
Interest in the associate	**152,606**	148,818	**56,809**	50,376	**42,496**	35,240	**30,983**	30,726
Goodwill	**10,496**	10,496	**14,893**	14,893	**4,226**	5,229	**-**	-
Impairment in value	**-**	-	**(4,706)**	-	**-**	-	**(2,564)**	-
Other adjustments	**(467)**	86	**3,828**	5,830	**-**	-	**(4,564)**	(3,663)
Carrying value of the investment	**162,635**	159,400	**70,824**	71,099	**46,722**	40,469	**23,855**	27,063
Fair value of the Group's interests in the quoted associates which are based on the quoted market prices available on the respective Stock Exchanges, which are Level 1 Inputs in terms of IFRS 13.	**168,707**	106,574	**48,997**	72,537	**84,389**	89,421	**10,817**	11,407

*Has been adjusted for the differences in accounting policies between Group and the associate.

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

22.6 Summarised financial information of material associates (continued)
Aggregate information of associates that are not individually material to the Group;

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Group share of results for the year	**(1,284)**	3,439
Group share of other comprehensive (loss)/income	**(2,536)**	29
Group share of total comprehensive (loss)income	**(3,820)**	3,468
Aggregate carrying value of the Group interest in associates	**20,745**	19,431
Aggregate Impairment in value of associates during the year	**(478)**	-
Aggregate dividend received from the associates during the year	**737**	415

22.7 Group's share of associates' contingent liabilities:

a) The Group's share of associates' contingent liabilities amounted to KD129,566 thousand (2018: KD138,695 thousand). This includes the Group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD94,689 thousand (2018: KD102,696 thousand).

b) The local income tax authority in Pakistan has raised a demand requesting Mezzan Bank Limited, an associate of one of the subsidiaries of the Group, to pay additional tax amounting to KD3.5 million (Subsidiary's share KD1.2 million) for prior years including 2018. The associate has obtained a stay order against this demand and has also filed appeals with the relevant Appellate Authorities. Subsidiary's management, in consultation with tax advisors, is confident that the decision in respect of this matter would be in subsidiary's favour and, accordingly, no provision is made in these consolidated financial statements with respect thereto.

Notes to the consolidated financial statements (continued)

23 Property, plant and equipment

Year ended 31 December 2019

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2019	3,653	21,901	608	35,512	109,881	15,474	14,359	2,637	7,745	211,770
Foreign exchange and other adjustments	(1)	484	18	(345)	3,465	134	(2,543)	235	(9)	1,438
Additions/transfer	-	603	3	433	4,166	264	1,338	-	3,271	10,078
Disposals	-	-	(353)	-	(44)	(15)	(73)	(17)	-	(502)
At 31 December 2019	3,652	22,988	276	35,600	117,468	15,857	13,081	2,855	11,007	222,784
Accumulated depreciation and impairment losses										
At 1 January 2019	-	6,619	76	26,369	64,571	11,920	11,390	1,949	-	122,894
Foreign exchange and other adjustments	-	(287)	13	227	3,187	115	(2,234)	119	-	1,140
Charge for the year	-	857	129	639	4,141	752	566	80	-	7,164
Impairment	-	-	-	530	-	-	-	-	-	530
Relating to disposals	-	-	-	-	(33)	(15)	(73)	-	-	(121)
At 31 December 2019	-	7,189	218	27,765	71,866	12,772	9,649	2,148	-	131,607
Net book value										
At 31 December 2019	3,652	15,799	58	7,835	45,602	3,085	3,432	707	11,007	91,177

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction mainly represents the cost incurred, on the expansion of one of the subsidiaries existing factories and the construction of a 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.

Property plant and equipment with a carrying value of KD8,652 thousand (2018: KD9,100 thousand) are secured against borrowings (Note 26).

Notes to the consolidated financial statements (continued)

23 Property, plant and equipment (continued)

Year ended 31 December 2018

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2018	1,463	20,214	618	35,325	95,262	13,066	13,428	2,780	5,074	187,230
Foreign exchange adjustments	7	(67)	(8)	11	(696)	(7)	9	(143)	1	(893)
Additions/transfer	-	204	9	176	7,096	2,388	210	-	2,662	12,745
On acquisition of an indirect subsidiary	2,183	1,460	-	-	10,346	43	748	-	153	14,933
Reclassification	-	90	-	-	16	-	39	-	(145)	-
Disposals	-	-	(11)	-	(2,143)	(16)	(75)	-	-	(2,245)
At 31 December 2018	3,653	21,901	608	35,512	109,881	15,474	14,359	2,637	7,745	211,770
Accumulated depreciation										
At 1 January 2018	-	5,428	73	25,629	60,313	11,243	10,298	1,932	-	114,916
Foreign exchange adjustments	-	(72)	(2)	3	(606)	(5)	(15)	(104)	-	(801)
Charge for the year	-	829	14	737	3,845	674	971	121	-	7,191
On acquisition of an indirect subsidiary	-	434	-	-	3,099	24	210	-	-	3,767
Relating to disposals	-	-	(9)	-	(2,080)	(16)	(74)	-	-	(2,179)
At 31 December 2018	-	6,619	76	26,369	64,571	11,920	11,390	1,949	-	122,894
Net book value										
At 31 December 2018	3,653	15,282	532	9,143	45,310	3,554	2,969	688	7,745	88,876

Notes to the consolidated financial statements (continued)

24 Goodwill and other intangible assets

24.1 Goodwill

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Balance at 1 January	**8,562**	11,364
Additions	**885**	-
Impairment in value of goodwill	**-**	(2,468)
Foreign exchange adjustment	**(29)**	(334)
	9,418	8,562

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill of KD2,029 thousand (2018: KD2,029 thousand) and KD7,389 thousand (2018: KD6,533 thousand) has been allocated to the IT service business and specialist engineering unit of the Group, respectively as these are the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rates	Anticipated average growth rate of 0% to 4% (2018: 0% to 4%) per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 0% to 4% (2018: 0% to 4%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Discount rates	Discount rates of 6.4% to 14% (2018: 6.4% to 17.5%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. During the prior year, the Group recognised an impairment of KD2,468 thousand against goodwill which has been allocated to the specialist engineering unit of the Group. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is further impaired.

Notes to the consolidated financial statements (continued)

24 Goodwill and other intangible assets (continued)

24.2 Intangible assets – Indefeasible right of use (IRU)

This represents an intangible asset in the form of an indefeasible right of use (IRU) to a telecommunication asset arising from a subsidiary acquired during 2014 and the movement is as follows:

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Cost		
At the beginning of the year	**3,268**	3,268
Balance at the end of the year	**3,268**	3,268
Accumulated amortization and impairment		
At the beginning of the year	**(1,905)**	(511)
Impairment in value of intangible assets*	**(945)**	(1,166)
Charge for the year	**(284)**	(228)
At the end of the year	**(3,134)**	(1,905)
Net book value at the end of the year	**134**	1,363
Total goodwill and intangible assets	**9,552**	9,925

*During the year, the management has performed an impairment assessment of the intangible assets and as a result recognised an impairment of KD945 thousand (2018: KD1,166) based on the recoverable value of the intangible assets based on fair value approach.

25 Accounts payable and other liabilities

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Financial liabilities		
Trade payables	**18,653**	19,409
Accrued interest	**2,760**	2,206
Dividend payable	**1,809**	1,300
Leasing liabilities (Note 4.1)	**6,303**	72
Payable on acquisition of subsidiary	**-**	1,517
Due to associates and related parties (Note 34)	**2,264**	2,114
Provision for cost of gas usage for previous years (a)	**2,700**	2,700
Provision for taxation (b)	**12,715**	11,274
Staff payables	**2,577**	2,831
Amounts due to non-controlling interests on capital reduction of a subsidiary	**957**	1,088
Other accruals	**5,889**	5,331
Other liabilities	**10,521**	7,260
	67,148	57,102
Non-financial liabilities		
Other creditors	**2,042**	1,575
	2,042	1,575
	69,190	58,677

Notes to the consolidated financial statements (continued)

25 Accounts payable and other liabilities (continued)

a This represents provision for cost of gas usage by one of the local subsidiaries of the Group amounting to KD2,700 thousand. During the year 2016, above subsidiary received a letter from a government owned entity which supplies gas to one of the factories of the subsidiary demanding payment for usage of gas for 2004 till 2011. The subsidiary rejected this claim on several grounds and the supplier filed a legal case against the subsidiary claiming its right to recover the amount. The court in its first hearing transferred the case to the Expert's department. Subsequently, the court issued a ruling ordering the subsidiary to pay an amount of USD9,300 thousand to the plaintiff. Accordingly, the subsidiary recorded a provision against this liability during the year ended 31 December 2016. Further, the subsidiary appealed the ruling and the judgment is still pending.

b This includes an amount of KD1,578 thousand potential tax liability of one of the local subsidiaries of the Group on dividend income received in previous years from foreign entities located in a GCC country (at the rate of 5%). No tax claims or assessments have been made by any regulatory authority as of date. However, based on advice received from consultants and other information available to the subsidiary's management, on a conservative basis, the Subsidiary provided for the above amount in a previous year.

26 Borrowings and bonds

	Effective Interest rate	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Borrowings			
Short term			
Short term conventional loans	**2.5% - 5.0%**	**150,739**	161,103
Short term Islamic financing arrangements	**5.0% - 6.0%**	**14,128**	7,739
		164,867	168,842
Long term			
Long term conventional loans	**1.4% - 5.9%**		
- Current portion		**123,218**	89,804
- Due after more than one year		**201,996**	214,402
Long term Islamic financing arrangements	**4.0% - 6.0%**		
- Current portion		**33,144**	6,490
- Due after more than one year		**80,378**	106,579
		438,736	417,275
Total borrowings		**603,603**	586,117
Bonds (Note 26 f)		**25,000**	25,000
Total borrowings and bonds		**628,603**	611,117

a As of 31 December 2019, total borrowings include an amount of KD124,015 thousand and KD16,283 thousand (2018: KD129,646 thousand and KD16,684 thousand) denominated in US Dollars and other foreign currencies respectively.

Notes to the consolidated financial statements (continued)

26 Borrowings and bonds (continued)

b During the prior year, one of the local subsidiaries of the Group has completed restructuring of its loans amounting to KD23,129 thousand out of total outstanding loans amounting to KD89,688 thousand and the subsidiary has settled remaining loans amounting to KD65,559 thousand due to two of its lenders against a payment of KD49,519 thousand with a 25.6% discount. The gain amounting to KD17,041 thousand which resulted from the waiver of the principal has been recognized as other income during the previous year.

During the year, the local subsidiary has paid an amount of KD1,670 thousand to the bankers. These loans are fully secured by investments at fair value through profit or loss (Note 19), investments at fair value through other comprehensive income (Note 20) and investment properties (Note 21) and against shares of two unlisted subsidiaries of the local subsidiary.

c Islamic financing arrangement amounting to KD3,202 thousand (2018: KD4,251 thousand) are secured against property, plant and equipment with a book value of KD5,515 thousand (2018: KD5,519 thousand). Also, certain conventional loans of KD1,209 thousand (2018: KD2,780 thousand) are secured against property, plant and equipment with a book value of KD3,137 thousand (2018: KD3,581 thousand).

d During the prior year, the Parent Company settled a Murabaha facility amounting to KD79,646 thousand at maturity, from the proceeds obtained through a new Murabaha facility of KD71,023 thousand and the remaining amount of KD8,623 thousand was settled in cash. The above new Murabaha facility is included under long term Islamic financing as of the reporting date. Under the terms of the new facility agreement, shares of one of the listed associates having a carrying value of KD152,921 thousand (2018: KD145,977 thousand) are kept in a custody portfolio account with specialised institutions (Note 22.2).

e Borrowings include unsecured long term financing facilities obtained by one of the foreign indirect subsidiaries of the Group from a Saudi Islamic bank and a financial institution and the amount due within one year from the facilities amounted to KD623 thousand. The unutilised facility balances as of 31 December 2019 amounted to KD6,478 thousand. During the year, the above borrowings have been secured by foreign quoted investments with a fair value of KD5,328 thousand (2018: KD5,915 thousand).

Bonds

f During the year 2016, the Parent Company issued floating rate bonds of KD25,000 thousand at face value maturing on 20 December 2021. The bonds benefit from certain uncollateralized financial assets at fair value through other comprehensive income and investment in subsidiary through one of the local subsidiaries of the Group to ensure repayment.

27 Provisions

	31 Dec. 2019 KD'000	31 Dec. 2018 KD '000
Pension liability (Note 32)	881	1,458
Provision for staff indemnity	12,749	11,664
Provision for land-fill expenses	483	451
	14,113	13,573

Notes to the consolidated financial statements (continued)

28 Share capital and share premium

a) As of 31 December 2019, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,427,845,728 shares of 100 Fils each (31 December 2018: 1,359,853,075 shares).

b) Share premium is not available for distribution.

29 Treasury shares

	31 Dec. 2019	31 Dec. 2018
Number of shares	**36,535,880**	34,796,079
Percentage of issued shares	**2.56%**	2.56%
Market value (KD '000)	**8,805**	5,498
Cost (KD'000)	**30,375**	30,375

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

As at 31 December 2019, an associate company of the Group held equivalent to 9.8% (2018: 9.8%) of the Parent Company's shares issued.

30 Cumulative changes in fair value and other components of equity

a) Cumulative changes in fair value

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Balance at 1 January (previously reported)	**21,679**	103,959
Adjustments arising on adoption of IFRS 9 on 1 January 2018	**-**	(64,220)
Balance at 1 January (restated)	**21,679**	39,739
Other comprehensive income:		
Share of other comprehensive income/(loss) of associates		
- Changes in fair value	**6,929**	(163)
Net changes in fair value of investments in equity instruments designated at FVOCI	**(7,405)**	(18,912)
Other comprehensive loss for the year	**(476)**	(19,075)
Realised (gain)/loss on equity investments at FVOCI	**(265)**	1,015
Balance at 31 December	**20,938**	21,679

Notes to the consolidated financial statements (continued)

30 Cumulative changes in fair value and other components of equity (continued)

b) Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances as at 31 December 2018	**15,011**	**1,443**	**18,452**	**(11,079)**	**23,827**
Transactions with owners:					
Currency translation differences	-	-	-	(2,242)	(2,242)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	-	-	-	797	797
Other comprehensive income	-	-	-	**(1,445)**	**(1,445)**
Reserve transfers	**4,939**	**4,939**	-	-	**9,878**
Balances as at 31 December 2019	**19,950**	**6,382**	**18,452**	**(12,524)**	**32,260**
Balances at 31 December 2017	12,853	1,694	18,452	(2,542)	30,457
Transactions with owners:					
Dividend paid	-	(251)	-	-	(251)
Other comprehensive income:					
Currency translation differences	-	-	-	(10,862)	(10,862)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	-	-	-	2,325	2,325
Other comprehensive income	-	-	-	(8,537)	(8,537)
Reserve transfers	2,158	-	-	-	2,158
Balances at 31 December 2018	15,011	1,443	18,452	(11,079)	23,827

Statutory reserve
In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to statutory 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 statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist. During the year, the Group has transferred an amount of KD4,939 thousand (2018: KD2,158 thousand) to statutory reserve.

General reserve
In accordance with the Parent Company's Articles of Association, a certain percentage of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to the general reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist. During the year, the Board of Directors of the Parent Company proposed to transfer an amount of KD4,939 thousand (2018: Nil) to general reserve and this is subject to approval at the General Assembly.

Notes to the consolidated financial statements (continued)

31 Non-controlling interests

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Balance at 1 January (previously reported)	**143,662**	130,127
Adjustments arising on adoption of IFRS 9 on 1 January 2018	**-**	(481)
Balance at 1 January (restated)	**143,662**	129,646
Amounts due to non-controlling interests on capital reduction of a subsidiary*	**-**	(1,069)
Non-controlling interests arising on acquisition of subsidiaries**	**-**	6,568
Decrease in non-controlling interest on disposal of indirect subsidiaries***	**(6,264)**	-
Dividend paid to non-controlling interests by the subsidiaries	**(8,195)**	(1,655)
Adjustments arising on capital reduction of a subsidiary***	**(3,041)**	-
Other net changes in non-controlling interests	**(4,822)**	(228)
Transactions with non-controlling interests	**(22,322)**	3,616
Profit for the year	**7,005**	15,626
Other comprehensive income :		
Exchange differences arising on translation of foreign operations	**(1,848)**	(5,641)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	**750**	2,189
Share of other comprehensive income/(loss) of associates	**3,042**	(183)
Net changes in fair value of investments in equity instruments designated at FVOCI	**377**	(1,591)
Total other comprehensive income/(loss) for the year	**2,321**	(5,226)
Total comprehensive income for the year	**9,326**	10,400
Balance at 31 December	**130,666**	143,662

* On 18 December 2017, the shareholders of one of the indirect subsidiaries of the Group, decided to decrease its share capital from KD33,500 thousand to KD14,137 thousand (by KD19,363 thousand) by setting off of accumulated losses of KD17,113 thousand and distributing to shareholders an amount of KD2,250 thousand out of which KD1,069 thousand pertains to non-controlling interests and these transactions have been adjusted in the Group's financials during the previous year.

** During the prior year, certain subsidiaries of the Group have acquired certain local and foreign subsidiaries and non-controlling interests arising on acquisition of those subsidiaries amounted to KD6,568 thousand. Further, acquisition of one of those subsidiaries resulted in a bargain purchase surplus (negative goodwill) of KD593 thousand which has been included under "interest and other income" in the consolidated statement of profit or loss of the previous year.

***During the year, as a result of loss in control over certain indirect subsidiaries, the Group de-recognised non-controlling interests amounting to KD6,264 thousand (Note: 7.4).

Further during the year, the shareholders of one of the local subsidiaries of the Group, decided to decrease its share capital by KD11,020 thousand out of which KD3,041 thousand pertains to non-controlling interests during the period.

Notes to the consolidated financial statements (continued)

32 Defined benefit pensions schemes

The Group has defined benefit pension schemes for the employees and former employees of certain subsidiaries in the United Kingdom. The Schemes provide benefits based on final salary and length of service on retirement. The Schemes are subject to the Statutory Funding Objective under the United Kingdom Pensions Act 2004. A valuation of the schemes is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the Trustees of the Schemes the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The Schemes are managed by a professional trustee appointed by the Group. The Trustee has responsibility for obtaining valuation of the fund, administering benefit payments and investing the Schemes' assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

The Schemes expose the Group to a number of risks:

- Investment risk: The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short term volatility can cause additional funding to be required if deficit emerges.
- Interest rate risk: The Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Schemes hold assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk: A significant proportion of the benefits under the Schemes are linked to inflation. Although the Schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk: In the event that members live longer than assumed a deficit will emerge in the Schemes.
- For certain sections of the Schemes, members are assumed to commute 20% of their pension for cash at retirement. If on average less pension is taken this would lead to a deficit emerging.
- The Trustee holds insurance policies for some members of the Schemes. There is a very small risk that the insurers may default on their policies which would cause additional funding to be required.

Effect of the Schemes on the Group's future cash flows

The Group is required to agree Schedules of Contributions with the Trustee of the Schemes following the valuation which must be carried out at least once every three years. In the event the valuation reveals a larger deficit than expected the Group may be required to increase contributions above those set out in the existing Schedules of Contributions. Conversely if the position is better than expected contributions may be reduced.

The Group expects to contribute KD605 thousand to its defined benefit plan in 2020 which has been agreed with the Pension Trustee in line with actuarial advice and aims to eliminate the deficit within an acceptable period of time.

The following disclosures cover all the schemes on an aggregated basis. The schemes are closed to new members and do not accrue further benefits. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the Group's defined benefit pension schemes.

Notes to the consolidated financial statements (continued)

32 Defined benefit pensions schemes (continued)

The following assumptions have been used in calculating the liabilities and expenses incurred:

	31 Dec. 2019	31 Dec. 2018
Discount rate at 31 December	**1.95%**	3.00%
Inflation assumption (RPI)	**2.90%**	3.45%
Revaluation in deferment (CPI)	**2.10%**	2.45%
Expected return on plan assets	**1.95%**	3.00%
Future salary increases	**0.00%**	0.00%
Future pension increases	**2.80%**	3.30%
Mortality after retirement	2019: SAPS (S2NA) (2018: SAPS (S2NA)) tables with medium cohort year of birth projections and minimum of 1.25% (2018: 1.25%) per annum improvement.	

Under the mortality tables adopted, the expected age at death for a member at age 65 is as follows:

	31 Dec. 2019	31 Dec. 2018
Male currently aged 45	**88.7**	89.6
Female currently aged 45	**90.8**	90.7
Male currently aged 65	**87.3**	87.2
Female currently aged 65	**89.3**	89.2

The average of the weighted average duration of the liabilities of each of the Schemes is 16 years (2018: 18 years).

Consolidated statement of profit or loss

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Interest cost	**(556)**	(602)
Expected return on assets	**521**	526
Past service cost	**-**	(530)
Net annual charge included in general, administrative and other expenses	**(35)**	(606)

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated statement of financial position

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Brought forward liability	**1,458**	3,328
Consolidated statement of profit or loss (net)	**35**	606
Contributions	**(597)**	(1,193)
Actuarial gain	**(26)**	(1,202)
Foreign exchange adjustments	**11**	(81)
Carried forward liability	**881**	1,458

Notes to the consolidated financial statements (continued)

32 Defined benefit pensions schemes (continued)

Reconciliation of consolidated statement of financial position liability

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Present value of obligations	**21,505**	18,968
Fair value of plan assets	**(20,624)**	(17,510)
Net plan deficit	**881**	1,458
Net liability recognised in the consolidated statement of financial position	**881**	1,458

Changes in the present value of the defined benefit obligation

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Opening defined benefit obligation	**18,968**	22,095
Interest cost	**556**	602
Actuarial losses/(gains)	**2,561**	(1,465)
Past service cost	**-**	530
Experience loss	**-**	(792)
Benefits and expenses paid	**(850)**	(1,024)
Foreign exchange adjustment	**270**	(978)
Closing defined benefit obligation	**21,505**	18,968

Changes in the fair value of the plan assets

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Opening fair value of plan assets	**17,510**	18,767
Expected return on assets	**521**	526
Actuarial (losses)/gains	**2,587**	(1,055)
Contributions by employer	**597**	1,193
Benefits and expenses paid	**(850)**	(1,024)
Foreign exchange adjustment	**259**	(897)
Closing fair value of plan assets	**20,624**	17,510

The fair value of the plan assets, by category is as follows:

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Plan assets:		
Equities	**9,487**	8,755
Bonds	**8,249**	6,654
Other assets	**2,888**	2,101
	20,624	17,510

The actual return on the Schemes' assets net of expenses over the period was 3.0% (2018: 2.8%).

Notes to the consolidated financial statements (continued)

32 Defined benefit pensions schemes (continued)

Sensitivity of the value placed on liabilities
The defined benefit obligation would be affected by changes in the actuarial assumptions. The table below shows the potential impact of relatively small changes in the key assumptions:

Adjustment to assumptions	Approximate effect on liabilities KD '000
Discount rate	
Plus 0.5%	(1,565)
Minus 0.5%	1,762
Inflation	
Plus 0.25%	364
Minus 0.25%	(304)
Life expectancy	
Plus 1 year	846
Minus 1 year	(839)

Note the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

33 Segmental analysis

The Group activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Kuwait	686,706	640,716	59,194	64,404
Outside Kuwait	557,838	562,008	73,043	61,002
	1,244,544	1,202,724	132,237	125,406

Notes to the consolidated financial statements (continued)

33 Segmental analysis (Continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Segment revenue	**111,271**	88,853	**48,368**	52,923	**70,479**	58,110	**13,390**	14,373	**243,508**	214,259
Less:										
Loss on disposal of indirect subsidiaries									**1,520**	-
Income from investments									**(90,626)**	(44,683)
Changes in fair value of investment properties									**729**	(34)
Share of result of associates									**(15,767)**	(15,182)
Profit on disposal/partial disposal of associates									**(1,576)**	(4,207)
Rental income									**(2,477)**	(2,753)
Interest and other income									**(3,074)**	(21,994)
Sales, per consolidated statement of profit or loss									**132,237**	125,406
Segment profit/(loss)	**86,553**	70,445	**2,579**	3,703	**(419)**	(1,105)	**200**	(1,035)	**88,913**	72,008
Less:										
Finance costs									**(30,745)**	(32,693)
Other unallocated loss									**(1,065)**	(855)
Profit before foreign taxation									**57,103**	38,460
Segment assets	**1,049,826**	1,018,300	**77,109**	71,405	**104,309**	98,261	**13,300**	14,758	**1,244,544**	1,202,724
Segment liabilities	**(34,179)**	(23,712)	**(25,514)**	(23,091)	**(17,632)**	(17,414)	**(5,978)**	(8,033)	**(83,303)**	(72,250)
Segment net assets	**1,015,647**	994,588	**51,595**	48,314	**86,677**	80,847	**7,322**	6,725	**1,161,241**	1,130,474
Borrowings, bonds and due to banks									**(652,572)**	(634,126)
Total equity, per consolidated statement of financial position									**508,669**	496,348

Notes to the consolidated financial statements (continued)

33 Segmental analysis (Continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering and chemical KD '000	Hotel and IT services KD '000	Total KD '000
At 31 December 2019					
Additions to property, plant and equipment	**441**	**3,338**	**6,299**	**-**	**10,078**
Depreciation and impairment	**875**	**4,412**	**4,054**	**248**	**9,589**
Impairment in value of goodwill and other intangible assets	**-**	**-**	**-**	**945**	**945**
At 31 December 2018					
Additions to property, plant and equipment	10	5,523	7,121	91	12,745
Depreciation	316	3,023	3,462	390	7,191
Impairment in value of available for sale investments	-	-	2,468	1,166	3,634

34 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group 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 transactions and balances are as follows:

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Balances included in the consolidated statement of financial position:		
Due from related parties (included in accounts receivable and other assets)		
- Due from associate companies	**7,817**	921
- Due from key managements personal	**70**	70
- Due from other related parties	**1,990**	5,875
Due to related parties (included accounts payable and other liabilities)		
- Due to associates	**416**	419
- Due to other related parties	**1,848**	1,695
Transactions with related parties:		
Development and construction costs	**3,052**	-
Retained Investment property of the disposed subsidiaries as a part of the disposal consideration (Note 7.4)	**2,890**	-
Cash consideration received for disposal of subsidiary (Note 7.4)	**3,000**	-
Purchase of financial assets at FVOCI	**-**	3,537
Proceeds from disposal of an associate (Note 22.5)		
-Transfer of investment at FVOCI	**168**	-
- Transfer of investment property	**667**	-
- Cash consideration	**32**	-

Notes to the consolidated financial statements (continued)

34 Related party transactions (continued)

	Year ended 31 Dec. 2019 KD '000	Year ended 31 Dec. 2018 KD '000
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials – from associates	**3,314**	4,308
Impairment in value of accounts receivable and other assets	**337**	803
Compensation of key management personnel of the Group		
Short term employee benefits	**4,036**	4,654
Board of Directors' and committee remuneration including subsidiaries	**1,271**	839
End of service benefits	**246**	163
Cost of share-based payments	**242**	-
	5,795	5,656

35 Summary of financial assets and liabilities by category and fair value measurement

35.1 Categories of financial assets and liabilities

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

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Financial assets:		
At amortised cost:		
• Bank balances and cash	**31,798**	32,077
• Short term deposits	**18,189**	9,136
• Wakala and sukuk investments	**1,000**	1,153
• Accounts receivable and other financial assets (Note 17)	**48,475**	45,075
	99,462	87,441
At fair value:		
• Financial assets at fair value through profit or loss (Note 19)	**410,414**	364,713
• Financial assets at fair value through other comprehensive income (Note 20)	**203,932**	216,485
	614,346	581,198
Total financial assets	**713,808**	668,639
Financial liabilities:		
At amortised cost:		
• Due to banks	**23,969**	23,009
• Accounts payable and other financial liabilities (Note 25)	**67,148**	57,102
• Borrowings and bonds	**628,603**	611,117
	719,720	691,228

Notes to the consolidated financial statements (continued)

35 Summary of assets and liabilities by category (continued)

35.2 Fair value measurement

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 at fair value though profit or loss, financial assets at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 35.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (Note 35.4).

35.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

At 31 December 2019

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	240,190	-	-	240,190
-Quoted debt securities	a	1,326	-	-	1,326
-Unquoted equity participations	b	-	13,371	13,043	26,414
-Managed portfolios and funds	c	-	4,169	138,315	142,484
Financial assets at FVOCI					
-Quoted shares	a	47,633	-	-	47,633
-Unquoted equity participations	b	-	36,336	96,133	132,469
-Managed portfolios and funds	c	-	5,694	18,136	23,830
		289,149	59,570	265,627	614,346

Notes to the consolidated financial statements (continued)

35 Summary of financial assets and liabilities by category (continued)

35.3 Fair value hierarchy (continued)

At 31 December 2018

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	214,493	-	-	214,493
-Quoted debt securities	a	1,299	-	-	1,299
-Unquoted equity participations	b	-	12,134	9,508	21,642
-Managed portfolios and funds	c	-	5,207	122,072	127,279
Financial assets at FVOCI					
-Quoted shares	a	45,854	-	-	45,854
-Unquoted equity participations	b	-	58,789	82,265	141,054
-Managed portfolios and funds	c	-	6,951	22,626	29,577
		261,646	83,081	236,471	581,198

Measurement at fair value

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

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year.

a) Quoted shares and debt instruments (Level 1 and 3)

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques (Level 3).

b) Unquoted equity participations (Level 2 and 3)

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

c) Managed portfolios and funds

Private equity funds (Level 3)

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios and funds (Level 2 and 3)

The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on periodic reports received from the portfolio/fund managers.

Notes to the consolidated financial statements (continued)

35 Summary of assets and liabilities by category (continued)

35.3 Fair value hierarchy (continued)

Level 3 Fair value measurements

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

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Opening balance	**236,471**	230,310
Net change in fair value	**31,724**	(1,139)
Transferred from investments carried at cost to fair value	**-**	20,214
Net (disposal)/addition during the year	**(2,568)**	1,720
Reclassification	**-**	(14,634)
Closing balance	**265,627**	236,471

Notes to the consolidated financial statements (continued)

35 Summary of assets and liabilities by category (continued)

35.3 Fair value hierarchy (continued)

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial assets	Fair value as at 31 Dec. 2019 KD'000	Fair value as at 31 Dec. 2018 KD'000	Fair value hierarchy	Valuation technique	Significant unobservable Input	Sensitivity of the fair value measurement to the input	Range
Financial assets at FVTPL:							
Unquoted equity participations	**13,043**	9,508	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Managed portfolios and funds	**138,315**	122,072	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Financial assets at FVOCI:							
Unquoted equity participations	**96,133**	82,265	3	Adjusted NAV basis/ DCF method/ market multiples	Long term growth rate for cash flows for subsequent years	Higher the growth rate, higher the fair value	2.4% - 3.0%
					WACC	Higher the WACC, lower the value	15.22% - 16.32%
					Discount for lack of marketability	Higher the discount rate, lower the value	10% - 40%
Managed portfolios and funds	**18,136**	22,626	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A

The impact on 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%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

Notes to the consolidated financial statements (continued)

35 Summary of assets and liabilities by category (continued)

35.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured level 3 of fair value hierarchy on a recurring basis at 31 December 2019 and 2018.

	31 Dec. 2019 KD'000 Level 3	31 Dec. 2018 KD'000 Level 3
Investment properties		
- Lands and buildings in Kuwait	**46,417**	38,020
- Lands and buildings in Saudi Arabia	**4,772**	4,794
- Lands and buildings in UAE	**313**	344
- Properties under development	**2,970**	29,583
- Lands in UAE	**1,898**	168
- Lands in Jordan	**504**	504
- Lands in Kuwait	**2,700**	2,600
- Building in London	**871**	844
	60,445	76,857

The above buildings mainly represent rental properties on freehold land categorized as "Investment Lands" (i.e land which can be used to construct multiple residential unit buildings, apartments, villas, duplex and studios), in Kuwait, UAE, London and Saudi Arabia. The freehold lands above also mainly represent lands categorized as investment lands. The fair value of the investment properties has been determined based on valuations obtained from independent valuators (two evaluator's for local properties and one evaluator for foreign properties), who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuators is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the yield method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuator who is a local/foreign reputable valuator has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used, adjustments have been incorporated for factors specific to the land in question, including plot size, location, construction/development cost and current use. For the valuation purpose for properties in Kuwait, the Group has selected the lower value of the two valuations (2018: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

Notes to the consolidated financial statements (continued)

35 Summary of assets and liabilities by category (continued)

35.4 Fair value measurement of non-financial assets (continued)

	Fair value as at 31 Dec. 2019 KD'000	31 Dec. 2018 KD'000	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair value	Range of unobservable inputs
Land and buildings in Kuwait, UAE and Saudi Arabia	**54,472**	72,741	Yield method and Market comparison approach for land and cost less depreciation for buildings	Estimated marker price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2019: KD1,148 to KD7,900** (2018: KD714 to KD7,900)
				Construction cost (per sqm)	The higher the construction cost per square meter, the higher the fair value	**2019: KD34 to KD740** (2018: KD51 to KD2,527)
				Average monthly rent (per sqm)	The higher the rent per square meter, the higher the fair value	**2019: KD2.4 to KD140.37** (2018: KD3.86 to KD154.37)
				Yield rate	The higher the yield rate per square meter, the higher the fair value	**2019: 6.2% to 13.94%** (2018: 6.11% to 11.15%)
				Vacancy rate	The higher the vacation rate, the lower the value	**2019: 10%** (2018: 10%)
Freehold lands Kuwait, UAE and Jordan	**5,102**	3,272	Market comparison approach	Estimated market price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2019: KD38 to KD1,150** (2018: KD89 to KD7,900)
Building in London	**871**	844	Yield method	Average monthly rent (per sqm)	The higher the rent per square meter, the higher the fair value	**2019: KD11.85** (2018: KD11.85)
				Yield rate	The higher the yield rate, the lower the value	**2019: 6.11%** (2018: 6.11%)
				Vacancy rate	The higher the vacancy rate the lower the fair value	**2019: 10%** (2018: 10%)

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in Note 21.

Notes to the consolidated financial statements (continued)

36 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long term borrowings and bond, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, wakala and sukuk investments, short term deposits and investments and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Board of Directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

36.1 Market risk

The most significant financial risks to which the Group is exposed to are described below.

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar and Saudi Riyal. The consolidated statement of financial position can be significantly affected by the movement in these currencies. 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. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the consolidated open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2019 ***Equivalent*** **KD '000**	31 Dec. 2018 *Equivalent* KD '000
US Dollars	**(85,300)**	(97,540)
Saudi Riyals	**15,734**	14,658

The Parent Company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

Notes to the consolidated financial statements (continued)

36 Risk management objectives and policies (continued)

36.1 Market risk (continued)

a) Foreign currency risk (continued)

	Impact on profit	
	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
US Dollars	**4,261**	4,877
Saudi Riyals	**(787)**	(733)
	3,474	4,144

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and positive for Saudi Riyals.

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.

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 on its short term deposits (Note 15), borrowings and bonds (Note 26) and due to banks (Note 15) which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	**31 Dec. 2019 KD '000**	31 Dec. 2018 KD '000
Effect on profit for the year	**(1,504)**	(1,479)	**4,512**	4,438

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia, Egypt, Pakistan and USA. Equity investments are classified either as "financial assets at fair value through profit or loss" or "financial assets at fair value through other comprehensive income".

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

Notes to the consolidated financial statements (continued)

36 Risk management objectives and policies (continued)

36.1 Market risk (continued)

c) Equity price risk (continued)

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates an increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Profit for the year		Other comprehensive income	
	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000	**31 Dec. 2019 KD '000**	31 Dec. 2018 KD '000
Financial assets at FVTPL	**24,019**	21,449	**-**	-
Financial assets at FVOCI	**-**	-	**4,763**	4,585
	24,019	21,449	**4,763**	4,585

For a 10% decrease in the equity prices there would be an equal and opposite impact on the profit for the year and other comprehensive income and the amounts shown above would be negative.

36.2 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 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.

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

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Bank balances and cash	**31,798**	32,077
Short term deposits	**18,189**	9,136
Wakala and sukuk investments	**1,000**	1,153
Accounts receivable and other assets (Note 17)	**48,475**	45,075
Financial assets at fair value through profit or loss	**410,414**	364,713
Financial assets at fair value through other comprehensive income	**203,932**	216,485
	713,808	668,639

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments (Note 16) and account receivable and other asset (Note 17) respectively. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

Notes to the consolidated financial statements (continued)

36 Risk management objectives and policies (continued)

36.2 Credit risk (continued)

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in Note 36.3.

36.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia and Africa KD '000	UK and Europe KD '000	USA KD '000	Total KD '000
At 31 December 2019						
Geographic region:						
Bank balances and cash	**22,701**	**4,147**	**42**	**4,583**	**325**	**31,798**
Short term deposits	**18,122**	**67**	**-**	**-**	**-**	**18,189**
Wakala and sukuk investments	**1,000**	**-**	**-**	**-**	**-**	**1,000**
Accounts receivable and other assets	**18,447**	**20,799**	**2,623**	**5,974**	**632**	**48,475**
Financial assets at FVTPL	**202,654**	**74,465**	**1,754**	**8,684**	**122,857**	**410,414**
Financial assets at FVOCI	**39,170**	**107,643**	**42,964**	**1,777**	**12,378**	**203,932**
	302,094	**207,121**	**47,383**	**21,018**	**136,192**	**713,808**
At 31 December 2018						
Geographic region:						
Bank balances and cash	14,401	6,387	133	10,695	461	32,077
Short term deposits	8,953	183	-	-	-	9,136
Wakala and sukuk investments	1,153	-	-	-	-	1,153
Accounts receivable and other assets	18,540	14,881	2,257	8,297	1,100	45,075
Financial assets at FVTPL	164,679	79,747	2,176	4,897	113,214	364,713
Financial assets at FVOCI	39,793	102,437	55,650	4,329	14,276	216,485
	247,519	203,635	60,216	28,218	129,051	668,639

36.4 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 table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements (continued)

36 Risk management objectives and policies (continued)

36.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	At 31 December 2019			At 31 December 2018		
	1 year KD '000	Over 1 year KD '000	Total KD '000	1 year KD '000	Over 1 year KD '000	Total KD '000
ASSETS						
Bank balances and cash	31,798	-	31,798	32,077	-	32,077
Short term deposits	18,189	-	18,189	9,136	-	9,136
Wakala and sukuk investments	1,000	-	1,000	1,000	153	1,153
Accounts receivable and other assets	41,310	9,466	50,776	43,219	4,234	49,453
Inventories	35,948	-	35,948	36,587	-	36,587
Financial assets at FVTPL	141,103	269,311	410,414	144,282	219,885	364,713
Financial assets at FVOCI	49,744	154,188	203,932	57,676	158,809	216,485
Right of use of leased assets	-	6,532	6,532	-	-	-
Investment properties	2,565	57,880	60,445	-	76,857	76,857
Investment in associates	-	324,781	324,781	4,886	312,576	317,462
Property, plant and equipment	-	91,177	91,177	-	88,876	88,876
Goodwill and other intangible assets	-	9,552	9,552	-	9,925	9,925
	321,657	922,887	1,244,544	329,409	873,315	1,202,724
LIABILITIES						
Due to banks	23,969	-	23,969	23,009	-	23,009
Accounts payable and other liabilities	64,830	4,360	69,190	58,642	35	58,677
Borrowings and bonds*	321,243	307,360	628,603	265,136	345,981	611,117
Provisions	-	14,113	14,113	-	13,573	13,573
	410,042	325,833	735,875	346,787	359,589	706,376

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 Months KD '000	3-12 months KD '000	Over 1 year KD '000	Total KD '000
31 December 2019					
Financial liabilities (undiscounted)					
Due to banks	23,969	-	-	-	23,969
Accounts payable and other liabilities	33,690	8,506	20,592	4,360	67,148
Borrowings and bonds	86,858	57,092	200,347	357,978	702,275
	144,517	65,598	220,939	362,338	793,392
31 December 2018					
Financial liabilities (undiscounted)					
Due to banks	23,009	-	-	-	23,009
Accounts payable and other liabilities	26,003	6,527	24,537	35	57,102
Borrowings and bonds	37,939	60,839	194,260	407,484	700,522
	86,951	67,366	218,797	407,519	780,633

*The Group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. During the year 2019, the Group's management has successfully renewed all short-term facilities which were classified as falling due within one month and one to three months.

Notes to the consolidated financial statements (continued)

37 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure for the Group consists of the following:

	31 Dec. 2019 KD '000	31 Dec. 2018 KD '000
Borrowings and bonds (Note 26)	**628,603**	611,117
Due to banks	**23,969**	23,009
	652,572	634,126
Less :		
Bank balances and cash	**(31,798)**	(32,077)
Short term deposits	**(18,189)**	(9,136)
Wakala and sukuk investments	**(1,000)**	(1,153)
Net debt	**601,585**	591,760
Total equity	**508,669**	496,348

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2019 %	31 Dec. 2018 %
Net debt to equity ratio	**118%**	119

38 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2019 amounted to KD9,874 thousand (2018: KD9,225 thousand) of which assets managed on behalf of related parties amounted to KD2,569 thousand (2018: KD3,121 thousand).

39 Contingent liabilities and capital commitments

At 31 December 2019, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD18,916 thousand (2018: KD26,888 thousand) and other contingencies with regard to pending litigations and tax claims amounting to KD356 thousand (2018: KD356 thousand)

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment and investment properties totalling KD20,348 thousand (2018: KD31,498 thousand).

Notes to the consolidated financial statements (continued)

40 Dividend distribution

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a cash dividend of 10% (2018: 12%) equivalent to 10 Fils (2018: equivalent to 12 Fils) per share for the year ended 31 December 2019.

At the Annual General Meeting held on 2 May 2019, the shareholders approved a cash dividend of 12% (2017: 10%) equivalent to 12 Fils (2017: equivalent to 10 Fils) per share for the year ended 31 December 2018 and 5% bonus shares which represent 67,992,653 shares of 100 Fils each amounting to KD6,799 thousand.

41 Subsequent events

a) Subsequent to the reporting date, the Parent Company issued fixed rate bonds of KD 22,400 thousand and floating rate bonds of KD 7,600 thousand at face value maturing on 21 February 2025.

b) On 11 March 2020, the World Health Organization characterised Covid-19 as a pandemic, negatively impacting global markets, disrupting supply chains, and changing social behaviour. It is uncertain if Covid-19 will continue disrupting global markets and what impact it will have on the Group's operation. As the situation is fluid and rapidly evolving, the Group do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

The effect of Covid-19 are also likely to impact the Group's estimates in 2020 (including IFRS 9 ECL assessments) and the Group's equity investments which are exposed to equity price risk.

Equity investments are classified either as investments at fair value through profit or loss or investments at fair value through other comprehensive income. The Covid-19 outbreak has resulted in declines in the stock market indices throughout the world including Kuwait and GCC region. The decline in the stock market indices subsequent to the reporting date up to 31 March 2020 was as follows:

	Up to 31 March 2020 %
Kuwait market (Boursa)	24.2
Saudi Arabian market (Tadawul)	24.0
MSCI index	20.7

42 Comparative information

Certain other comparative figures have been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.

NI Group
National Industries Group
(Holding)

Consolidated Financial Statements and Independent Auditor's Report

31 December 2018

National Industries Group Holding K.P.S.C. and Subsidiaries

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Independent auditor's report

To the shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Valuation of investments held at fair value

The Group invests in various assets classes, of which 48% of the total assets represent investments which are carried at fair value and classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income. These investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in Note 36.3. 45% of these investments are carried at fair value based on Level 1 valuations, and the balance 55% of these investments are carried at fair value either based on Level 2 or Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 2 and level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 2 and level 3, we determined this to be a key audit matter. Refer to Notes 5.13.3, 5.13.8, 6.1, 6.2, 19, 20 and 36.3 for more information on fair valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio. Agreeing the carrying value of the investments to the Group's internal valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

Key Audit Matters (continued)

Impairment of investments in associates

The Group's investments in associates represent 26% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The investment in associates is significant to our audit due to the Group's share of results in the associates and the carrying value of these associates. In addition, significant management judgment and number of assumptions are required in the assessment of impairment, including the determination of the recoverable value of the investment based on its value-in-use, in case there is a significant or prolonged decline in value based on published price quotes. Further, the projected future cash flows and discount rates used by the Group in determining the investment's value in use are also subject to estimation uncertainty and sensitivity. Accordingly, we considered this as a key audit matter. Refer to Notes 5.4, 6.1, 6.2, and 23 for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition. We also reviewed management's assessment of the recoverable value of the investment including the reasonability of the cash flow projections and discount rates used in the value in use calculation for associates, where there was a significant or prolonged decline in value.

Other information included in the Group's 2018 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2018 other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2018 after the date of our auditor's report.

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

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

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

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

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

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.

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
24 March 2019

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Sales		**125,406**	110,510
Cost of sales		**(103,331)**	(90,441)
Gross profit		**22,075**	20,069
Income from investments	8	**44,683**	34,570
Changes in fair value of investment properties	22	**34**	(3,455)
Share of results of associates	23	**15,182**	19,035
Profit on disposal of associates	23	**4,207**	17,447
Rental income		**2,753**	1,859
Interest and other income	9	**21,994**	4,760
Distribution costs		**(8,602)**	(7,384)
General, administrative and other expenses		**(25,404)**	(23,664)
(Loss)/gain on foreign currency exchange		**(855)**	1,540
		76,067	64,777
Finance costs	11	**(32,693)**	(31,412)
Impairment in value of goodwill and other intangible assets	25	**(3,634)**	-
Impairment in value of available for sale investments		**-**	(5,247)
Impairment in value of receivables and other assets (net of reversal)	17	**(1,280)**	(246)
Profit before foreign taxation		**38,460**	27,872
Foreign taxation	12a	**(1,250)**	(488)
Profit before KFAS, Zakat, NLST and Directors' remuneration		**37,210**	27,384
KFAS, Zakat and NLST	12b	**(1,263)**	(717)
Directors' remuneration		**(480)**	(480)
Profit for the year	13	**35,467**	26,187
Profit for the year attributable to:			
Owners of the Parent Company		**19,841**	24,160
Non-controlling interests	7	**15,626**	2,027
		35,467	26,187
Basic and diluted earnings per share attributable to the owners of the Parent Company	14	**15.0 Fils**	18.2 Fils

The notes set out on pages 12 to 83 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Profit for the year	**35,467**	26,187
Other comprehensive (loss)/income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations		
- Exchange differences arising on translation of foreign operations	**(16,503)**	(4,670)
- Transferred to consolidated statement of profit or loss on partial disposal of an associate	**4,514**	-
Available for sale investments:		
- Net changes in fair value arising during the year	**-**	(4,989)
- Transferred to consolidated statement of profit or loss on disposal	**-**	(11,444)
- Transferred to consolidated statement of profit or loss on impairment	**-**	5,247
Share of other comprehensive (loss)/income of associates		
- Changes in fair value	**(346)**	3,368
- Transferred to consolidated statement of profit or loss on disposal (Note 23.5)	**-**	(1,703)
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(12,335)**	(14,191)
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial gains/(losses)	**1,231**	(1,086)
Net changes in fair value of investments in equity instruments designated at FVOCI	**(20,503)**	-
Total other comprehensive loss not being reclassified to profit or loss in subsequent periods	**(19,272)**	(1,086)
Total other comprehensive loss for the year	**(31,607)**	(15,277)
Total comprehensive income for the year	**3,860**	10,910
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Parent Company	**(6,540)**	15,549
Non-controlling interests	**10,400**	(4,639)
	3,860	10,910

The notes set out on pages 12 to 83 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Assets			
Bank balances and cash	15	**32,077**	38,436
Short-term deposits	15	**9,136**	8,020
Wakala and sukuk investments	16	**1,153**	1,153
Accounts receivable and other assets	17	**49,453**	95,907
Inventories	18	**36,587**	33,194
Financial assets at fair value through profit or loss	19	**364,713**	74,780
Financial assets at fair value through other comprehensive income	20	**216,485**	-
Available for sale investments	21	**-**	525,202
Investment properties	22	**76,857**	66,121
Investment in associates	23	**317,462**	336,045
Property, plant and equipment	24	**88,876**	72,314
Goodwill and other intangible assets	25	**9,925**	14,121
Total assets		**1,202,724**	1,265,293
Liabilities and equity			
Liabilities			
Due to banks	15	**23,009**	22,315
Accounts payable and other liabilities	26	**58,677**	48,391
Borrowings and bonds	27	**611,117**	673,315
Provisions	28	**13,573**	15,157
Total liabilities		**706,376**	759,178
Equity attributable to owners of the Parent Company			
Share capital	29	**135,985**	135,985
Share premium	29	**122,962**	122,962
Treasury shares	30	**(30,375)**	(30,375)
Cumulative changes in fair value	31	**21,679**	103,959
Other components of equity	31	**23,827**	30,457
Retained earnings		**78,608**	13,000
Equity attributable to owners of the Parent Company		**352,686**	375,988
Non-controlling interests	32	**143,662**	130,127
Total equity		**496,348**	506,115
Total liabilities and equity		**1,202,724**	1,265,293

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 12 to 83 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 '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 31 a) KD '000	Other components of equity (Note 31b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2018	135,985	122,962	(30,375)	103,959	30,457	13,000	375,988	130,127	506,115
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (Note 4.1)	-	-	-	(64,220)	-	60,789	(3,431)	(481)	(3,912)
Balance at 1 January 2018 (Restated)	135,985	122,962	(30,375)	39,739	30,457	73,789	372,557	129,646	502,203
Transactions with owners									
Amounts due to non-controlling interests on capital reduction of a subsidiary (Note 32)	-	-	-	-	-	-	-	(1,069)	(1,069)
Non-controlling interests arising on acquisition of subsidiaries (Note 32)	-	-	-	-	-	-	-	6,568	6,568
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(1,655)	(1,655)
Dividend paid (Note 41)	-	-	-	-	(251)	(13,000)	(13,251)	-	(13,251)
Other net changes in non-controlling interests	-	-	-		-	(80)	(80)	(228)	(308)
Total transactions with owners	-	-	-	-	(251)	(13,080)	(13,331)	3,616	(9,715)
Comprehensive income									
Profit for the year	-	-	-	-	-	19,841	19,841	15,626	35,467
Other comprehensive (loss)/income for the year [actuarial gain and others] (Notes 31,32 and 33)	-	-	-	(19,075)	(8,537)	1,231	(26,381)	(5,226)	(31,607)
Total comprehensive (loss)/income for the year	-	-	-	(19,075)	(8,537)	21,072	(6,540)	10,400	3,860
Transfer of reserve	-	-	-	-	2,158	(2,158)	-	-	-
Realised loss on equity investments at FVOCI	-	-	-	1,015	-	(1,015)	-	-	-
Balance at 31 December 2018	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686	143,662	496,348

The notes set out on pages 12 to 83 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 31 a) KD '000	Other components of equity (Note 31b) KD '000	(Accumulated losses)/ retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance as at 1 January 2017	135,985	122,962	(30,375)	108,729	31,526	(8,495)	360,332	137,047	497,379
Transactions with owners									
Non-controlling interests arising on acquisition of subsidiaries (Note 32)	-	-	-	-	-	-	-	302	302
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	(2,187)	(2,187)
Other net changes in non-controlling interests	-	-	-	-	-	107	107	(396)	(289)
Total transactions with owners	-	-	-	-	-	107	107	(2,281)	(2,174)
Comprehensive income									
Profit for the year	-	-	-	-	-	24,160	24,160	2,027	26,187
Other comprehensive loss for the year [actuarial loss and others] (Notes 31, 32 and 33)	-	-	-	(4,770)	(2,755)	(1,086)	(8,611)	(6,666)	(15,277)
Total comprehensive (loss)/income for the year	-	-	-	(4,770)	(2,755)	23,074	15,549	(4,639)	10,910
Transfer of reserve	-	-	-	-	1,686	(1,686)	-	-	-
Balance as at 31 December 2017	135,985	122,962	(30,375)	103,959	30,457	13,000	375,988	130,127	506,115

The notes set out on pages 12 to 83 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
OPERATING ACTIVITIES		
Profit before foreign taxation	**38,460**	27,872
Adjustments:		
Dividend income from financial assets at FVOCI	**(3,607)**	-
Dividend income from available for sale investments	**-**	(6,572)
Profit on sale of available for sale investments	**-**	(18,124)
Changes in fair value of investment properties	**(34)**	3,455
Share of results of associates	**(15,182)**	(19,035)
Profit on disposal of associates	**(4,207)**	(17,447)
Interest/profit on bank balances, short-term deposits and wakala investments	**(1,055)**	(617)
Gain on acquisition of subsidiary	**(593)**	-
Discount on settlement of borrowings	**(17,041)**	(2,063)
Loss on disposal of property, plant and equipment	**-**	37
Net provisions (released)/charged	**(1,684)**	512
Depreciation and amortisation	**7,419**	6,727
Impairment in value of goodwill and other intangible assets	**3,634**	-
Impairment in value of available for sale investments	**-**	5,247
Impairment in value of receivable and other assets (net of reversal)	**1,280**	246
Finance costs	**32,693**	31,412
Other non-cash adjustments	**(351)**	(231)
	39,732	11,419
Changes in operating assets and liabilities:		
Inventories	**(2,444)**	(834)
Accounts receivable and other assets	**43,977**	6,930
Financial assets at fair value through profit or loss	**(833)**	2,002
Accounts payable and other liabilities	**681**	1,054
Cash from operations	**81,113**	20,571
Taxation paid	**(666)**	(488)
KFAS, Zakat and NLST paid	**(46)**	(112)
Net cash from operating activities	**80,401**	19,971

The notes set out on pages 12 to 83 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,745)	(7,883)
Proceeds from disposal of property, plant and equipment		66	26
Proceeds from disposal of investment properties		-	2,200
Additions to investment properties		(10,359)	(7,012)
Investment in associates		(2,107)	(5,558)
Dividend received from associate companies		9,984	9,376
Proceeds from capital reduction/disposal of associates		17,200	1,103
Purchase of financial assets at FVOCI		(14,366)	-
Proceeds from sale of financial assets at FVOCI		12,464	-
Dividend income on financial assets at FVOCI		3,607	-
Acquisition of new subsidiary net of cash and bank balances		(326)	-
Decrease in wakala investments maturing after three months		-	11
Disposal of intangible assets		-	180
Decrease in blocked deposits		213	106
Purchase of available for sale investments		-	(39,949)
Proceeds from sale of available for sale investments		-	55,491
Dividend income received from available for sale investments		-	6,572
Interest/profit on bank balances, short-term deposits, wakala investments		762	708
Net cash from investing activities		4,393	15,371
FINANCING ACTIVITIES			
Finance lease payments		(136)	(118)
Net (decrease)/increase in borrowings		(49,069)	1,745
Dividend paid to the owners of the Parent Company		(12,075)	(423)
Finance costs paid		(32,870)	(31,723)
Change in non-controlling interests		3,616	(2,281)
Net cash used in financing activities		(90,534)	(32,800)
Net (decrease)/increase in cash and cash equivalents		(5,740)	2,542
Translation difference		16	(29)
		(5,724)	2,513
Cash and cash equivalents at beginning of the year		23,922	21,409
Cash and cash equivalents at end of the year	15	18,198	23,922

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Group Holding – KPSC ("the Parent Company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.

- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.

- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.

- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.

- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 24 March 2019. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties, the measurement at fair value of financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

The Parent Company's management has decided to change the presentation of the consolidated statement of financial position to a presentation based on liquidity (previously the consolidated statement of financial position distinguished between current and non-current) as it provides information more relevant and appropriate of the Group's activities.

Notes to the consolidated financial statements (continued)

3 Statement of compliance

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

4 Changes 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 2018 which have been adopted by the Group. Information on these new standards which are relevant to the Group, is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9, Financial Instruments effective from 1 January 2018.

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 consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements (Note 36).

The main areas of 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 recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.

- it 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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

The main areas of impact are as follows: (continued)

- 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 are now recognised in the consolidated statement of profit or loss and other comprehensive income (presented in the "cumulative change in fair value" reserve in equity), and transferred to retained earnings on derecognition and are not recycled to the consolidated statement of profit or loss. Dividend income on these assets continues to be recognised in consolidated statement of profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the Group as follows:

Classification and measurement:
Group 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.

Accordingly, bank balances and cash, short term deposits, wakala and sukuk investments, accounts receivables and other assets are all 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 as of 1 January 2018 is not required.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group

IFRS 9 Financial Instruments (continued)

The following table shows the previous measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as of 1 January 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD '000	Re-measurement - ECL KD '000	Re-measurement –Others KD '000	New carrying amount under IFRS 9 KD '000
Financial assets						
Bank balances and cash	Loans and receivables	At amortised cost	38,436	(14)	-	38,422
Short term deposits	Loans and receivables	At amortised cost	8,020	(1)	-	8,019
Accounts receivable and other assets*	Loans and receivables	At amortised cost	90,448	(447)	-	90,001
Wakala and sukuk investments	Loans and receivables	At amortised cost	1,153	-	-	1,153
Investments:						
- Managed funds	AFS	FVTPL	81,291	-	-	81,291
- Managed funds	AFS	FVOCI	29,236	-	(21)	29,215
- Quoted shares	AFS	FVTPL	190,697	-	-	190,697
- Quoted shares	AFS	FVOCI	40,745	-	-	40,745
- Unquoted equity participations	AFS	FVTPL	27,142	-	-	27,142
- Unquoted equity participations	AFS	FVOCI	156,091	-	(299)	155,792
- Quoted shares	FVTPL	FVTPL	18,981	-	-	18,981
- Quoted shares	FVTPL	FVOCI	5,947	-	-	5,947
- Local funds	FVTPL	FVTPL	2,630	-	-	2,630
- Local funds	FVTPL	FVOCI	2,704	-	-	2,704
- Foreign managed portfolios and funds	FVTPL	FVTPL	43,140	-	-	43,140
- Foreign managed portfolios and funds	FVTPL	FVOCI	1,378	-	-	1,378
Total financial assets			738,039	(462)	(320)	737,257

*Excluding non-financial assets of KD5,459 thousand.

(AFS - Available for sale, FVOCI – Fair value through other comprehensive income, FVTPL - Fair value through profit or loss)

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

The following table summarises the new measurement categories under IFRS 9 by class of financial asset as at 1 January 2018:

	IFRS 9 categories		
	Financial assets at Fair Value Through Profit or Loss (FVTPL) KD '000	Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) KD '000	Financial Assets at Amortised cost KD '000
Bank balances and cash	-	-	38,422
Short term deposits	-	-	8,019
Accounts receivable and other assets	-	-	90,001
Wakala and sukuk investments	-	-	1,153
Investments	363,881	235,781	-
Balance at 1 January 2018	363,881	235,781	137,595

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

Impairment of financial assets:

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Debt instruments measured subsequently at amortised cost or at FVOCI;
(2) Trade receivables and contract assets; and
(3) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

The Group has applied simplified approach to impairment for trade and other receivables as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued):
The Group's balances with banks are low risk and are considered to be fully recoverable and hence measurement of bank balances under IFRS 9 did not have a material impact on the consolidated statement of profit or loss of the Group. It is the Group's policy to measure such instruments on a 12-month ECL basis. However, the ECL provision on these balances are not material to the Group's consolidated financial statements. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

	Provision as at 31 Dec. 2017 KD '000	Adjustments KD '000	Provision as at 1 Jan. 2018 KD '000
Accounts receivable and other assets	(1,538)	(447)	(1,985)
Bank balances and short term deposits	-	(15)	(15)
	(1,538)	**(462)**	**(2,000)**

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

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

	Balance at 31 Dec. 2017 as reported KD '000	Adjustments KD '000	Balance at 1 Jan. 2018 as restated KD '000
Assets			
Bank balances and cash	38,436	(14)	38,422
Short-term deposits	8,020	(1)	8,019
Wakala and sukuk investments	1,153	-	1,153
Accounts receivable and other assets	90,448	(447)	90,001
Financial assets at fair value through profit or loss	74,780	289,101	363,881
Financial assets at fair value through other comprehensive income	-	235,781	235,781
Available for sale investments	525,202	(525,202)	-
Investment in associates*	336,045	(1,153)	334,892

* The adjustments to "investment in associates" represents the Group's share of the IFRS 9 impact related to the associate on 1 January 2018.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group

IFRS 9 Financial Instruments (continued)
The following table analyses the impact on transition to IFRS 9 to cumulative changes in fair value and retained earnings:

	Cumulative changes in fair value reserve KD '000	Retained earnings KD '000	Equity attributable to owners of the Parent Company KD '000	Non-controlling Interests KD '000	Total equity KD '000
Closing balance under IAS 39 – 31 December 2017	103,959	13,000	375,988	130,127	506,115
Impact of reclassifications and re-measurements:					
Equities, funds and other investments from FVTPL to FVOCI	(305)	305	-	-	-
Equities, funds and other investments from available for sale to FVTPL	(61,381)	61,381	-	-	-
Equity securities and funds which were at cost from available for sale to FVOCI	(82)	-	(82)	(238)	(320)
Group share of IFRS 9 adjustments done by the associates	(2,452)	2,452	-	-	-
Recognition of expected credit loss under IFRS 9 for financial assets of associates	-	(1,110)	(1,110)	(43)	(1,153)
Recognition of expected credit loss under IFRS 9 for financial assets	-	(301)	(301)	(161)	(462)
Other adjustments related to IFRS 9 amendments	-	(1,938)	(1,938)	(39)	(1,977)
Adjustments arising on adoption of IFRS 9 on 1 January 2018	(64,220)	60,789	(3,431)	(481)	(3,912)
Opening balance under IFRS 9 – 1 January 2018	39,739	73,789	372,557	129,646	502,203

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

The five steps in the model are as follows:

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

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group

IFRS 15 Revenue from Contracts with Customers (continued)

- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
  - non-cash consideration and asset exchanges
  - contract costs
  - rights of return and other customer options
  - supplier repurchase options
  - warranties
  - principal versus agent
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

Adoption of the standard did not have any material effect on the Group's consolidated financial statements.

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

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

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 be relevant to the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 16 Leases	1 January 2019
IFRS 3 – Amendments	1 January 2020
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
IAS 28 – Amendments	1 January 2019
IAS 1 and IAS 8 – Amendments	1 January 2020

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

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

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

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

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

IFRS 16 Leases

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

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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.

Annual Improvements to IFRSs 2015-2017 Cycle

Amendments to IFRS 3 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings

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.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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.

IAS 1 and IAS 8 – Amendments

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. 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. The details of the significant subsidiaries are set out in Note 7 to the consolidated 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, 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. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

Notes to the consolidated financial statements (continued)

5 Summary of 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 the consolidated statement of profit or loss.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

5.3 Goodwill and other intangible assets

5.3.1 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 15 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 5.12 for a description of impairment testing procedures.

5.3.2 Other intangible assets

Identifiable non-monetary assets acquired in as business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of Indefeasible Rights of Use (IRU).

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 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 share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

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.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.5 Segment reporting

The Group has four operating segments: Investment, building materials, specialist engineering and hotel and IT services 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.

For management purposes, the Group uses the same measurement policies as those used in its 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue

Revenue arises from sale of goods, rendering of services, investing and real estate activities.

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

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

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises revenue from the following major sources:

5.6.1 Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

5.6.2 Rendering of services

The Group generates revenues from after-sales service and maintenance, consulting, hotel operations, IT services and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody, consulting and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

5.6.3 Interest income
Interest income is reported on an accrual basis using the effective interest method.

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

5.6.5 Rental income
Rental income from investment properties is recognised as noted in Note 5.10.

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

5.8 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.

5.9 Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 20 years
Motor vehicles	2 to 10 years
Furniture and equipment	3 to 10 years

Any increase arising on revaluation is credited directly to other comprehensive income as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of income. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of income, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of profit or loss over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

5.11 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

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

5.12 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Impairment testing of goodwill and non-financial assets (continued)

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

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

5.13 Financial instruments

5.13.1 Recognition, initial measurement and derecognition

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive (FVOCI)

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (Note 5.13.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In this period presented, no such irrevocable designation has been made.

5.13.3 Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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

- *Murabaha investments/receivables*

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. When the credit risk of the transaction is attributable to a financial institution, the amount due under Murabaha contracts is classified as a Murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as Murabaha receivable.

Murabaha receivables which arise from the Group's financing of long-term transactions on an Islamic basis are classified as Murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Murabaha are treated as part of the cost of the transaction.

All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

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

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount is in case of default, negligence or violation of any terms and conditions of Wakala.

- *Bank balances, cash and short term deposits*

Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- *Receivables and other financial assets*

Trade receivable are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

***Financial assets at* FVTPL**

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

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

The Group's financial assets at FVTPL comprise of the following:
- *Investment in managed portfolios and funds*
- *Investment in quoted shares*
- *Investment in unquoted equity participation*

***Financial assets at* FVOCI**

The Group's financial assets at FVOCI comprise of investments in managed portfolios and funds, equity shares (quoted shares and unquoted equity participation).

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

***Financial assets at* FVOCI (continued)**
A financial asset is held for trading if:
• it has been acquired principally for the purpose of selling it in the near term; or
• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
• it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

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

5.13.4 Impairment of financial assets
The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances
- Short term deposits
- Wakala and sukuk investments
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses
The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets (continued)

Expected Credit Losses (continued)

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment
At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trust certificates issued, borrowings, leasing creditors, due to banks, trade payables and other liabilities and derivative financial instruments.

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

Financial liabilities at amortised cost

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Borrowings*

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Bonds*

Bonds are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in accounts payable and other liabilities.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- *Murabaha finance payables*

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

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Leasing and hire purchase payables*

Assets acquired under finance leases and hire purchase arrangements are capitalised and the related liabilities, excluding finance charges are included in liabilities. Finance charges in respect of such liabilities are charged to the consolidated statement of profit or loss as incurred.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.5 Classification and subsequent measurement of financial liabilities (continued)

Financial liabilities at amortised cost (continued)

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Derivative financial instruments

Where the Group uses derivative financial instruments, such as interest rate to mitigate its risks associated with interest rate fluctuations, such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives, if any, are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of profit or loss.

5.13.6 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.

5.13.7 Offsetting of financial instruments

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

5.13.8 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.8 Fair value of financial instruments (continued)

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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

5.14 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. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

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

5.15 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.

Statutory 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 Articles of Association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD and the Group's share of foreign currency translation reserves shown in the associates statement of financial position.
- Cumulative changes in fair value – comprises gains and losses relating to financial assets at FVOCI

Retained earnings/accumulated losses include all current and prior period profit retained/(losses) incurred. 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.

5.16 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 "gain on sale of 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 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 are 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.

5.18 Foreign currency translation

5.18.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. 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.

5.18.2 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 re-measurement 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. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "financial assets at FVOCI" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.18.3 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.

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/liquidation 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/liquidation.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18 Foreign currency translation (continued)

5.19 End of service indemnity

The parent and its local subsidiaries 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.

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also 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.

5.20 Pensions (related to the foreign subsidiaries)

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisors. Contributions to defined contribution schemes are charged to the consolidated statement of profit or loss on an accrual basis.

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of profit or loss and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised in full in other comprehensive income.

5.21 Share-based Payment

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

5.22 Taxation

5.22.1 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. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.22 Taxation (continued)

5.22.1 National Labour Support Tax (NLST) (continued)
For the year ended 31 December 2017, one of the subsidiaries of the Group has no liability towards NLST in line with agreement between The Islamic Republic of Pakistan and the State of Kuwait for the "avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income" which state that income source shall be taxed only in the Contracting State.

5.22.2 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

For the year ended 31 December 2017 and 2018, the Parent Company has no liability towards NLST, KFAS and Zakat due to tax losses incurred.

5.22.4 Withholding taxes
The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

5.22.5 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.23 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

5.24 Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

5.25 Related party transactions
Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

Notes to the consolidated financial statements (continued)

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 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 5.13). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.1.3 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6.1.4 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.6 are met requires significant judgement.

6.1.5 Control assessment

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1. Significant management judgments (continued)

6.1.6 Equity method accounting for entities in which the Group holds less than 20% of the voting rights

Management has assessed the level of influence that the Group has over its material associate, Mabanee Company - KPSC and determined that it has significant influence even though the shareholding in this associate is below 20%, because of the factors mentioned in note 23.3. Consequently, this investment has been classified as an associate and has been accounted for using the equity method.

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 goodwill and other intangible assets

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6.2.2. Impairment of associates

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

6.2.3. Impairment of financial assets

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

During the year, the Group has recognised net impairment losses of KD1,280 thousand (2017: KD246 thousand) against loan and receivables.

6.2.4. Useful lives of depreciable/amortisable assets

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.5. 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.

At the financial position date, gross inventories were KD38,005 thousand (2017: KD34,963 thousand), with provision for old and obsolete inventories of KD1,418 thousand (2017: KD1,769 thousand). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

6.2.6. Fair value of financial instruments

Management apply 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.

6.2.7. Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

6.2.8. Defined benefits obligation

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses (as analysed in Note 33).

6.2.9. Provision for foreign taxation

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made (Note 26 b).

6.2.10. Contract revenue

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

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest 31 Dec. 2018 %	31 Dec. 2017 %
Al Durra National Real Estate – KSC (Closed)	Kuwait	Real Estate	**97***	97*
National Combined Industries Holding Company for Energy – KSC (Closed)	Kuwait	Investments	**96***	96*
Pearl National Holding – KSC (Closed)	Kuwait	Investments	**99***	99*
Economic Holding Company – KSC (Closed)	Kuwait	Investments	**97***	97*
BI Group Plc	United Kingdom	Specialist Engineering	**100**	100
Proclad Group Limited	UAE	Specialist Engineering	**100**	100
Eagle Proprietary Investments Limited	UAE	Investments	**100**	100
Pearl Offshore Enterprises Limited (note 7.3)	BVI	Investments Holdings	**100**	100
Denham Investment Limited	Cayman Islands	Investments	**85**	85
Ikarus Petroleum Industries Company – KSC (Closed)	Kuwait	Petroleum	**72**	72
National Industries Company - KPSC	Kuwait	Industrial	**51**	51
Noor Financial Investment Company – KPSC	Kuwait	Investments	**51**	51

* The Group's holding of these subsidiaries are 100% and the remaining stake is held by nominees on its behalf.

7.2 Subsidiaries with material non-controlling interests
The Group includes three subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI 31 Dec. 2018	31 Dec. 2017	Profit allocated to NCI 31 Dec. 2018 KD '000	31 Dec. 2017 KD '000	Accumulated NCI 31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Noor Financial Investment Company - KPSC (NFI)	**49%**	49%	**10,732**	505	**48,092**	47,333
National Industries Company - KPSC (NIC)	**49%**	49%	**1,737**	1,247	**51,250**	51,541
Ikarus Petroleum Industries Company – KSC (Closed) (IPI)	**28%**	28%	**3,050**	33	**35,997**	26,503
Individual immaterial subsidiaries with non-controlling interests			**107**	242	**8,323**	4,750
			15,626	2,027	**143,662**	130,127

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 December 2018			31 December 2017		
	NFI KD '000	NIC KD '000	IPI KD '000	NFI KD '000	NIC KD '000	IPI KD '000
Total assets	131,309	112,032	121,851	171,114	113,739	109,696
Total liabilities	(61,713)	(23,091)	(10,581)	(108,691)	(23,578)	(16,658)
Non-controlling interest (including NCI in the subsidiary's statement of financial position)	(41,283)	(46,794)	(35,182)	(40,567)	(47,493)	(25,678)
Equity attributable to the shareholders of the Parent Company	28,313	42,147	76,088	21,856	42,668	67,360

	Year ended 31 December 2018			Year ended 31 December 2017		
	NFI KD '000	NIC KD '000	IPI KD '000	NFI KD '000	NIC KD '000	IPI KD '000
Revenue	48,971	54,791	15,821	28,063	45,809	2,183
Profit for the year	23,798	3,773	10,428	2,100	2,971	782
Other comprehensive (loss)/income for the year	(13,602)	(2,222)	2,051	(6,714)	(33)	(8,291)
Total comprehensive income/(loss) for the year	10,196	1,551	12,479	(4,614)	2,938	(7,509)
- attributable to the shareholders of the Parent Company	6,662	869	8,830	(1,834)	1,627	(5,437)
- attributable to NCI	3,534	682	3,649	(2,780)	1,311	(2,072)
Dividend paid to NCI	-	(1,397)	-	-	(1,749)	-
Net cash flow from/(used in) operating activities	6,098	4,697	32,525	2,709	9,668	(2,367)
Net cash flow from/(used in) investing activities	30,025	(3,305)	(26,338)	5,429	(2,260)	3,737
Net cash flow used in financing activities	(39,318)	(2,990)	(11,322)	(11,222)	(4,169)	(683)
Net cash (outflow)/inflow	(3,195)	(1,598)	(5,135)	(3,084)	3,239	687

7.3 Pearl Offshore Enterprises Limited is a special purpose vehicle (SPV) which was incorporated during the year 2011 and total assets with a carrying value of KD113,092 thousand (2017: KD121,842 thousand) and total liabilities of KD73,085 thousand (2017: KD83,472 thousand) of the Parent Company are held by the SPV.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.4 *Acquisition of an indirect subsidiary*

During the year, the one of the local subsidiaries of the Group acquired 60% equity stake in Middle East Chemicals Company Ltd – WLL (a Saudi Company operating in the basic chemicals sector) and the acquisition was accounted in accordance with IFRS 3 as follows:

	31 March 2018 (unaudited) KD '000
Total consideration	8,247
Value of non-controlling interests	5,893
	14,140
Less : Recognized amounts of identifiable assets acquired and liabilities assumed	
Bank balances and cash (net of due to banks)	6,154
Account receivables and other assets	1,303
Inventories	598
Property, plant and equipment	11,166
Borrowings	(3,912)
Accounts payable and other liabilities	(576)
Total identifiable net assets	14,733
Negative goodwill (included under interest and other income)	(593)

The initial accounting for the business combination is provisional due to its complexity, and will be adjusted retrospectively (if required) when the final purchase price allocation is completed during the one-year measurement period from the acquisition date.

The results of the newly acquired indirect subsidiary was consolidated to the Group's results effective from 1 April 2018 and the financial position as at 31 December 2018 was consolidated with the Group's financial position as of that date based on management accounts. Accordingly, Middle East Chemicals Company Ltd – WLL as a subsidiary contributed revenue and profit of KD4,526 thousand and KD707 thousand to the net results of the Group respectively.

8 Income from investments

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Dividend income:		
- From financial assets at fair value through profit or loss	8,345	806
- From financial assets at fair value through other comprehensive income	3,607	-
- From available for sale investments	-	6,572
Profit on sale of available for sale investments	-	18,124
Realised gain on financial assets at fair value through profit or loss	4,487	1,342
Unrealised gain on financial assets at fair value through profit or loss	28,163	7,726
Interest income on debt securities classified under financial assets at FVTPL	81	-
	44,683	34,570

Notes to the consolidated financial statements (continued)

9 Interest and other income

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Interest/profit on bank balances, short term deposits, wakala investments	1,055	617
Gain on acquisition of subsidiary (negative goodwill) (Note 7.4)	593	-
Service income, management and placement fees	340	472
Discount on settlement of borrowings (Note 27 b)	17,041	2,063
Net gain relating to liquidated/disposed foreign subsidiaries*	1,732	-
Others	1,233	1,608
	21,994	4,760

*The gain has mainly resulted from the net realisation of the positive foreign currency translation reserves which were booked in the previous years in equity with regard to the liquidated/disposed foreign subsidiaries.

10 Net gain/(loss) on financial assets and financial liabilities

Net gain/(loss) on financial assets and financial liabilities, analysed by category, is as follows:

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Financial assets at amortised cost (2017: loans and receivables):		
- Interest/profit on bank balances and short term deposits	1,034	602
- Profit from wakala and sukuk investments	21	15
- Income from future trade customers (on accounts receivable and other assets)	7	55
- impairment in value of receivable and other assets	(1,280)	(246)
Financial assets at FVTPL:		
- Realised gain	4,487	1,342
- Unrealised gain	28,163	7,726
- Dividend income	8,345	806
- Interest income on debt securities	81	-
Financial assets at FVOCI (2017: available for sale investments):		
- recognised directly in other comprehensive income (including NCI share)	(20,503)	(11,186)
- recognised directly in consolidated statement of profit or loss as dividend	3,607	6,572
- recognised directly in consolidated statement of profit or loss as profit on sale	-	6,680
- recycled from other comprehensive income to consolidated statement of profit or loss on impairment and disposal	-	6,197
	23,962	18,563
Financial liabilities at amortised cost:		
- Borrowings and bonds	(32,693)	(31,412)
- Discount on settlement of borrowings	17,041	2,063
	8,310	(10,786)
Net gain recognised in the consolidated statement of profit or loss	28,813	400
Net loss recognised in the consolidated statement of profit or loss and other comprehensive income	(20,503)	(11,186)
	8,310	(10,786)

Notes to the consolidated financial statements (continued)

11 Finance costs

Finance costs mainly relate to due to banks, borrowings, bonds and lease creditors. All these financial liabilities are stated at amortized cost.

In addition, finance costs for the current year include one of indirect subsidiaries management's best estimate of accrued interest on an amount payable related to a court decision received against it, subsequent to the reporting date.

12 Taxation and other statutory contributions

(a) Foreign taxation*

Taxation of subsidiaries

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Current tax expense		
Current year charge	**(1,201)**	(527)
Deferred tax (expenses)/income		
Current year (expenses)/income	**(49)**	39
	(1,250)	(488)

* Foreign taxation includes an amount of KD518 thousand charged (2017: KD482 thousand charged) by certain foreign subsidiaries which is calculated based on the tax law adopted in United Kingdom.

(b) KFAS, Zakat and NLST of local subsidiaries

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(310)**	(266)
Provision for Zakat	**(437)**	(285)
Provision for National Labour Support Tax (NLST)	**(516)**	(166)
	(1,263)	(717)

The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current year (2017: Nil) as the net taxable results attributable to the Parent Company was a loss.

13 Profit for the year

Profit for the year is stated after charging:

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Staff costs	**29,644**	27,385
Depreciation and amortisation	**7,419**	6,727
Net provision reversal for obsolete and slow moving inventories	**(351)**	(74)

The number of staff employed by the Parent Company at 31 December 2018 was 61 (2017: 67).

Notes to the consolidated financial statements (continued)

14 Basic and diluted earnings per share attributable to the owners of the Parent Company

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 during the year as follows:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
Profit for the year attributable to the owners of the Parent Company (KD '000)	**19,841**	24,160
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,325,056,996**	1,325,056,996
Basic and diluted earnings per share	**15.0 Fils**	18.2 Fils

15 Cash and cash equivalents

	Effective interest/profit rate %	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000
Bank balances and cash	0.25% - 0.62%	**32,077**	38,436
Short term deposits	2.5% - 2.75%	**9,136**	8,020
Due to banks (a)	4.5% - 6.0%	**(23,009)**	(22,315)
		18,204	24,141
Less: Blocked balances		**(6)**	(219)
Cash and cash equivalents for the purpose of consolidated statement of cash flows		**18,198**	23,922

a) Due to banks include bank overdraft facilities utilised by one of the subsidiaries of the Group which are secured against short term deposits of KD610 thousand as at 31 December 2018 (2017: KD1,008 thousand).

16 Wakala and sukuk investments

	Effective profit rate % (per annum)			
	2018	2017	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000
Wakala investments				
Placed with local Islamic banks	**3%**	1.37%	**1,000**	1,000
Sukuk investments			**153**	153
			1,153	1,153

Wakala investments of KD14,324 thousand (31 December 2017: KD14,324 thousand) placed by a local subsidiary of the Group with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However, revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in June 2014, 2015, 2016 and 2017 respectively. The subsidiary has initiated various legal cases against the investee company to recover these amounts. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules.

Notes to the consolidated financial statements (continued)

16 Wakala and sukuk investments (continued)

During the previous years, the one of the local subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD9,968 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary had placed with the above investment company as part of total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The subsidiary initiated legal proceedings against the parties to recover the amount including profits thereon. During the year 2014, the Court of Appeal had ordered the related parties to pay KD8,285 thousand with 7% of profit thereon to the subsidiary which was overturned by the Court of Cassation in favor of the related party during the year 2015. The subsidiary also initiated legal proceeding relating to the remaining amount of KD1,683 thousand against the related parties. During the year ended 31 December 2018, the Court of Appeal has ordered the related parties to pay KD1,683 thousand to the subsidiary and the related parties have appealed against the court decision.

17 Accounts receivable and other assets

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Financial assets		
Net trade receivables	**29,857**	26,514
Amounts due on sale of investments	**-**	5,420
Amounts due on disposal of an associate (Note 23.5)	**-**	43,028
Due from related parties (Note 17 b and 35)	**6,866**	6,740
Interest and other accrued income	**1,168**	1,267
Retentions and refundable deposits	**1,026**	961
Other financial assets	**6,158**	6,518
	45,075	90,448
Non-financial assets		
Prepayments and other assets	**4,378**	5,459
	4,378	5,459
	49,453	95,907

a) Trade receivables are non-interest bearing and generally on 30 to 120 days terms.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

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

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Neither past due nor impaired	**19,501**	21,658
Past due but not impaired		
- 31 – 90 days	**5,552**	654
- more than 90 days	**4,804**	4,202
Total trade receivables	**29,857**	26,514

Notes to the consolidated financial statements (continued)

17 Accounts receivable and other assets (continued)

b) This includes an amount of USD14mn equivalent to KD4,253 thousand (2017: USD6mn equivalent to KD1,814 thousand) loan provided by a foreign subsidiary of the Group to a related party who is a US based real estate developer. The loan carries fixed interest rate of 8.5% and is receivable, at the latest by 3 April 2021. As of the reporting date, the above subsidiary is committed to provide a further USD1mn (2017: USD 9mn) to the developer.

c) During the year, the Group recognised a net impairment loss of KD1,280 thousand (2017: KD246 thousand) against trade and other receivables.

18 Inventories

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Finished goods and work-in-progress	**18,158**	16,490
Raw materials and consumables	**15,091**	12,986
Spare parts and others	**3,705**	3,652
Goods in transit	**1,051**	1,835
	38,005	34,963
Provision for obsolete and slow moving inventories	**(1,418)**	(1,769)
	36,587	33,194

19 Financial assets at fair value through profit or loss

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Local quoted shares	**147,920**	18,099
Foreign quoted shares	**66,573**	6,829
Unquoted equity participations	**21,642**	-
Quoted debt securities (held in managed portfolios)	**1,299**	-
Local funds	**2,508**	5,334
Foreign managed portfolios and funds	**124,771**	44,518
	364,713	74,780

a) Quoted shares and managed funds, held by the Group, with a fair value of KD151,276 thousand (2017: KD131,205 thousand including investments previously classified under available for sale investments) are secured against borrowings (Note 27).

b) Foreign managed portfolios and funds include investments in private equity funds with a carrying value of KD122,626 thousand (2017: KD33,372 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

20 Financial assets at fair value through other comprehensive income

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Local quoted shares	10,220	-
Foreign quoted shares	35,634	-
Local unquoted equity participations	23,651	
Foreign unquoted equity participations	117,403	
Foreign managed portfolios and funds	29,577	-
	216,485	-

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

b) Quoted shares with a fair value of KD32,651 thousand (Available for sale investments at 31 December 2017: KD38,955 thousand) and unquoted shares with a fair value of KD168 thousand (Available for sale investments at 31 December 2017: KD6,888 thousand) are secured against bank borrowings (Note 27).

c) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Company, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income (previously classified under available for sale investments). However, the completion of the sale contemplated in the conditional agreement is further extended during the previous year until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

21 Available for sale investments

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Foreign managed funds	-	110,527
Local unquoted equity participations	-	39,389
Foreign unquoted equity participations	-	143,844
Local quoted shares	-	110,204
Foreign quoted shares	-	121,238
	-	525,202

The Group has applied, for the first time, IFRS 9 "Financial Instruments" as described in Note 4.1 effective from 1 January 2018. Accordingly, the management of the Group has re-classified its existing available for sale investments as described in Note 4.1.

Notes to the consolidated financial statements (continued)

22 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Fair value as at 1 January	**66,121**	64,294
Additions	**10,711**	7,493
Disposal	**-**	(2,200)
Changes in fair value	**34**	(3,455)
Foreign currency translation	**(9)**	(11)
	76,857	66,121

Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Kuwait	**57,666**	52,365
Saudi	**6,579**	6,071
Jordan	**504**	501
UAE	**11,264**	6,267
London	**844**	917
Total	**76,857**	66,121

a) Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers (Note 36.4 for details).

b) Investments properties amounting to KD50,482 thousand (2017: KD44,728 thousand) are secured against borrowings (Note 27).

c) At the reporting date, a property located in Kuwait with a carrying value of KD17,046 thousand (2017: KD11,470 thousand) is under development. During the year borrowing cost of KD352 thousand (2017: KD481 thousand) has been capitalised for properties which are under development. Two other properties in UAE and KSA with a carrying value of KD10,752 thousand and KD1,786 thousand (2017: KD4,278 thousand and KD1,290 thousand) respectively are also being developed.

23 Investment in associates

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and principal place of business	Nature of business	Percentage ownership 31 Dec. 2018	Percentage ownership 31 Dec. 2017
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	**38**	49
Privatization Holding Company – KPSC (Quoted)	Kuwait	Financial services	**36**	36
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	**26**	26
Mabanee Company - KPSC - (Quoted) (23.3)	Kuwait	Real estate	**18**	18

Notes to the consolidated financial statements (continued)

23 Investment in associates (continued)

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Balance at 1 January (previously reported)	**336,045**	350,540
Adjustments arising from adoption of IFRS 9 on 1 January 2018 (Note 4.1)	**(1,153)**	-
Balance as at 1 January 2018 – restated	**334,892**	350,540
Additions during the year	**2,107**	5,558
Share of results	**15,182**	19,035
Disposal/capital reduction (Note 23.5)	**(12,993)**	(28,388)
Share of other comprehensive income	**(346)**	3,368
Dividend distribution	**(9,984)**	(9,376)
Foreign currency translation adjustment	**(11,485)**	(4,376)
Other adjustments	**89**	(316)
Balance at the end of the year	**317,462**	336,045

23.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.

23.2 A major portion of an associate with a carrying value of KD145,977 thousand (2017: KD148,644 thousand) is kept in a custody portfolio account with specialised institution (Note 27 d).

23.3 Although the Group owns 18% of the investee, the Group exercises significant influence over the associate by way of board representation.

23.4 Investment in associates includes quoted associates with a carrying value of KD299,573 thousand (2017: KD316,573 thousand) having quoted market value of KD280,921 thousand at 31 December 2018 (2017: KD308,711 thousand) based on published quotes. In accordance with IAS 36 "Impairment of Assets" the Group's recoverable amount of these associates (which represent the higher of fair value less costs to sell, and value in use) was in excess of their carrying values and accordingly no impairment was recognized against these investments during the year ended 31 December 2018.

23.5 During the year, one of the local subsidiaries of the Group partially disposed (11% out of its holding of 49% at 31 December 2017) one of its foreign associates (Meezan Bank Ltd.) for a consideration of KD20,797 thousand resulting in a net gain of KD4,197 thousand (including the recycling of previously recognised Group's share of the said associate's foreign currency translation reserve of KD4,514 thousand to the consolidated statement of profit or loss).

During the previous year, the Group disposed one of its foreign associates (Airport International Group P.S.C.) with a carrying value of KD27,227 thousand in which the Group held 24%. Accordingly the Group has recognised a net gain of KD17,504 thousand (including the recycling of previously recognised Group's share of the said associate's other comprehensive income of KD1,703 thousand to the consolidated statement of profit or loss) on disposal of the associate in the consolidated statement of profit or loss for the year ended 31 December 2017 and the net proceeds on disposal amounting to KD43,028 thousand was due and included in accounts receivable and other assets as of 31 December 2017. During the year, the Group has received the proceeds fully.

Notes to the consolidated financial statements (continued)

23 Investment in associates (continued)

23.6 Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates named above, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

	*Mabanee Company – KPSC**		*Kuwait Cement Company – KPSC*		*Meezan Bank Ltd.*		*Privatization Holding Company – KPSC*	
	2018 KD '000	2017 KD '000	**2018 KD '000**	2017 KD '000	**2018 KD '000**	2017 KD '000	**2018 KD '000**	2017 KD '000
As at 31 December								
Total assets	**1,271,000**	1,239,733	**301,912**	305,743	**2,041,717**	2,142,390	**133,540**	153,355
Total liabilities	**(377,361)**	(359,172)	**(108,754)**	(108,323)	**(1,947,242)**	(2,037,693)	**(46,855)**	(53,121)
Non-controlling interests	**(61,325)**	(61,169)	**(145)**	(144)	**(2,182)**	(2,748)	**(907)**	(1,804)
Equity attributable to the owners of the associate	**832,314**	819,392	**193,013**	197,276	**92,293**	101,949	**85,778**	98,430
For the year ended 31 December								
Revenue	**31,044**	44,891	**96,259**	97,257	**105,428**	98,388	**8,108**	8,215
Profit/(loss) for the year attributable to shareholders	**23,332**	39,421	**7,943**	17,191	**19,420**	15,315	**(5,351)**	3,069
Other comprehensive (loss)/income for the year	**(1,249)**	(776)	**2,760**	3,476	**(1,883)**	(4,821)	**(427)**	1,894
Total comprehensive income/(loss) for the year	**22,083**	38,645	**10,703**	20,667	**17,537**	10,494	**(5,778)**	4,963
Dividends received from the associate during the year	**1,669**	1,567	**3,797**	3,797	**2,913**	3,812	**1,190**	-
As at 31 December								
Net assets of the associate attributable to the shareholders of the associate	**832,314**	819,392	**193,013**	197,276	**92,293**	101,949	**85,778**	98,430
Proportion of the Group's ownership interest	**17.88%**	17.68%	**26.10%**	25.89%	**38.18%**	49.11%	**35.82%**	35.82%
Interest in the associate	**148,818**	144,869	**50,376**	51,075	**35,240**	50,067	**30,726**	35,258
Goodwill	**10,496**	10,496	**14,893**	14,893	**5,229**	8,637	**-**	-
Other adjustments	**87**	402	**5,830**	4,142	**-**	-	**(3,663)**	(5,883)
Carrying value of the investment	**159,400**	155,767	**71,099**	70,110	**40,469**	58,704	**27,063**	29,375
Fair value of the Group's interests in the quoted associates which are based on the quoted market prices available on the respective Stock Exchanges, which are Level 1 Inputs in terms of IFRS 13.	**106,574**	116,448	**72,537**	84,482	**89,421**	95,481	**11,407**	11,143

*Has been adjusted for the differences in accounting policies between Group and the associate.

Notes to the consolidated financial statements (continued)

23 Investment in associates (continued)

23.6 Summarised financial information of material associates (continued)
Aggregate information of associates that are not individually material to the Group;

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Group share of results for the year	**3,439**	(1,005)
Group share of comprehensive income	**29**	4,294
Group share of total comprehensive income	**3,468**	3,289
Aggregate carrying value of the Group interest in associates	**19,431**	22,089
Aggregate dividend received from the associates during the year	**415**	200

23.7 Group's share of associates' contingent liabilities:

a) The Group's share of associates' contingent liabilities amounted to KD138,695 thousand (2017: KD154,631 thousand). This includes the Group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD102,696 thousand (2017: KD110,995 thousand).

b) The local income tax authority in Pakistan has raised a demand requesting Mezzan Bank Limited, an associate of one of the subsidiaries of the Group, to pay additional tax amounting to KD3.9 million (Subsidiary's share KD1.5 million) for prior years including 2017. The associate has obtained a stay order against this demand and has also filed appeals with the relevant Appellate Authorities. Subsidiary's management, in consultation with tax advisors, is confident that the decision is respect of this matter would be in subsidiary's favour and, accordingly, no provision is made in these consolidated financial statements with respect thereto.

Notes to the consolidated financial statements (continued)

24 Property, plant and equipment

Year ended 31 December 2018

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2018	1,463	20,214	618	35,325	95,262	13,066	13,428	2,780	5,074	187,230
Foreign exchange adjustments	7	(67)	(8)	11	(696)	(7)	9	(143)	1	(893)
Additions/transfer	-	204	9	176	7,096	2,388	210	-	2,662	12,745
On acquisition of an indirect subsidiary (Note 7.4)	2,183	1,460	-	-	10,346	43	748	-	153	14,933
Reclassification	-	90	-	-	16	-	39	-	(145)	-
Disposals	-	-	(11)	-	(2,143)	(16)	(75)	-	-	(2,245)
At 31 December 2018	3,653	21,901	608	35,512	109,881	15,474	14,359	2,637	7,745	211,770
Accumulated depreciation and impairment losses										
At 1 January 2018	-	5,428	73	25,629	60,313	11,243	10,298	1,932	-	114,916
Foreign exchange adjustments	-	(72)	(2)	3	(606)	(5)	(15)	(104)	-	(801)
Charge for the year	-	829	14	737	3,845	674	971	121	-	7,191
On acquisition of an indirect subsidiary (Note 7.4)	-	434	-	-	3,099	24	210	-	-	3,767
Relating to disposals	-	-	(9)	-	(2,080)	(16)	(74)	-	-	(2,179)
At 31 December 2018	-	6,619	76	26,369	64,571	11,920	11,390	1,949	-	122,894
Net book value										
At 31 December 2018	3,653	15,282	532	9,143	45,310	3,554	2,969	688	7,745	88,876

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction mainly represents the cost incurred, on the expansion of one of the subsidiaries existing factories and the construction of a 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.

Notes to the consolidated financial statements (continued)

24 Property, plant and equipment (continued)

Year ended 31 December 2017

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2017	1,483	18,619	598	35,249	91,579	12,812	13,210	2,567	2,540	178,657
Foreign exchange adjustments	(20)	69	10	(32)	1,856	20	15	189	-	2,107
Additions/transfer/consolidation of new subsidiaries	-	402	4	137	4,220	327	235	24	2,534	7,883
Reclassification	-	1,124	6	-	(1,130)	-	-	-	-	-
Disposals	-	-	-	(29)	(1,263)	(93)	(32)	-	-	(1,417)
At 31 December 2017	1,463	20,214	618	35,325	95,262	13,066	13,428	2,780	5,074	187,230
Accumulated depreciation and impairment losses										
At 1 January 2018	-	4,704	51	24,891	56,310	10,642	9,563	1,659	-	107,820
Foreign exchange adjustments	-	3	10	(9)	1,824	19	(6)	127	-	1,968
Charge for the year	-	721	12	765	3,415	650	773	146	-	6,482
Relating to disposals	-	-	-	(18)	(1,236)	(68)	(32)	-	-	(1,354)
At 31 December 2017	-	5,428	73	25,629	60,313	11,243	10,298	1,932	-	114,916
Net book value										
At 31 December 2017	1,463	14,786	545	9,696	34,949	1,823	3,130	848	5,074	72,314

Notes to the consolidated financial statements (continued)

25 Goodwill and other intangible assets

25.1 Goodwill

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Balance at 1 January	**11,364**	10,708
Additions	**-**	83
Impairment in value of goodwill	**(2,468)**	-
Foreign exchange adjustment	**(334)**	573
	8,562	11,364

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill of KD2,029 thousand (2017: KD2,029 thousand) and KD6,533 thousand (2017: KD9,335 thousand) has been allocated to the IT service business and specialist engineering unit of the Group, respectively as these are the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rates	Anticipated average growth rate of 0% to 4% (2017: 0% to 3%) per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 0% to 4% (2017: 0% to 3%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Discount rates	Discount rates of 6.4% to 17.5% (2017: 3.5% to 17%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. During the year, the Group recognised an impairment of KD2,468 thousand against goodwill which has been allocated to the specialist engineering unit of the Group. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is further impaired.

Notes to the consolidated financial statements (continued)

25 Goodwill and other intangible assets (continued)

25.2 Intangible assets – Indefeasible right of use (IRU)

This represents an intangible asset in the form of an indefeasible right of use (IRU) to a telecommunication asset arising from a subsidiary acquired during 2014 and the movement is as follows:

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Cost		
At the beginning of the year	**3,268**	3,631
Disposal of intangible assets	**-**	(363)
Balance at the end of the year	**3,268**	3,268
Accumulated amortization and impairment		
At the beginning of the year	**(511)**	(314)
Impairment in value of intangible assets*	**(1,166)**	-
Relating to disposal	**-**	48
Charge for the year	**(228)**	(245)
At the end of the year	**(1,905)**	(511)
Net book value at the end of the year	**1,363**	2,757
Total goodwill and intangible assets	**9,925**	14,121

* During the year, the management has performed an impairment assessment of the intangible assets and as a result recognised an impairment of KD1,166 thousand (2017: Nil) based on the recoverable value of the intangible assets based on fair value approach.

26 Accounts payable and other liabilities

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Financial liabilities		
Trade payables	**19,409**	18,954
Accrued interest	**2,206**	2,031
Dividend payable	**1,300**	754
Leasing creditors	**72**	156
Payable on acquisition of subsidiary	**1,517**	1,509
Due to related parties (Note 35)	**2,114**	1,512
Provision for cost of gas usage for previous years (a)	**2,700**	2,700
Provision for taxation (b)	**11,274**	6,911
Staff payables	**2,831**	2,095
Deferred consideration on acquisition of new subsidiaries	**-**	1,179
Amounts due to non-controlling interests on capital reduction of a subsidiary	**1,088**	883
Other accruals	**5,331**	3,487
Other liabilities	**7,260**	5,322
	57,102	47,493
Non-financial liabilities		
Other creditors	**1,575**	898
	1,575	898
	58,677	48,391

Notes to the consolidated financial statements (continued)

26 Accounts payable and other liabilities (continued)

a) This represents provision for cost of gas usage by one of the local subsidiaries of the Group amounting to KD2,700 thousand. During the year 2016, above subsidiary received a letter from a government owned entity which supplies gas to one of the factories of the subsidiary demanding payment for usage of gas for 2004 till 2011. The subsidiary rejected this claim on several grounds and the supplier filed a legal case against the subsidiary claiming its right to recover the amount. The court in its first hearing transferred the case to the Expert's department. Subsequently, the court issued a ruling ordering the subsidiary to pay an amount of USD9,300 thousand to the plaintiff. Accordingly, the subsidiary recorded a provision against this liability during the year ended 31 December 2016. Further, the subsidiary appealed the ruling and the judgment is still pending.

b) This includes an amount of KD1,578 thousand potential tax liability of one of the local subsidiaries of the Group on dividend income received in previous years from foreign entities located in a GCC country (at the rate of 5%). No tax claims or assessments have been made by any regulatory authority as of date. However, based on advice received from consultants and other information available to the subsidiary's management, on a conservative basis, the Subsidiary provided for the above amount in a previous year.

27 Borrowings and bonds

	Effective Interest rate	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Borrowings			
Short term			
Short term conventional loans	**2.14% - 5.5%**	**161,103**	104,506
Short term Islamic financing arrangements	**4.25% - 6.0%**	**7,739**	18,512
		168,842	123,018
Long term			
Long term conventional loans	**1.4% - 5.9%**		
- Current portion of long term conventional loans		**89,804**	228,990
- Due after more than one year		**214,402**	145,666
Long term Islamic financing arrangements	**4.0% - 6.0%**		
- Current portion of long term Islamic financing arrangements		**6,490**	113,334
- Due after more than one year		**106,579**	37,307
		417,275	525,297
Total borrowings		**586,117**	648,315
Bonds (Note 27 g)		**25,000**	25,000
Total borrowings and bonds		**611,117**	673,315

a As of 31 December 2018, total borrowings include an amount of KD129,646 thousand and KD16,684 thousand (2017: KD114,975 thousand and KD4,076 thousand) denominated in US Dollars and other foreign currencies respectively.

Notes to the consolidated financial statements (continued)

27 Borrowings and bonds (continued)

b During the year, one of the local subsidiaries of the Group has completed restructuring of its loans amounting to KD23,129 thousand. As per restructuring agreement, an amount of KD560 thousand is payable within one year from the reporting date and remaining amount is repayable after one year. These restructured loans are fully secured by financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties and against shares of two unlisted indirect subsidiaries of the Group.

Additionally, during the fourth quarter of the current year, the local subsidiary has settled loans due to two lenders amounting to KD66,560 thousand (2017: KD6,875 thousand) against a payment of KD49,519 thousand (2017: KD4,812 thousand) with a 25.6% (2017: 30%) discount. The gain amounting to KD17,041 thousand (2017: KD2,063 thousand) which resulted from the waiver of the principal has been recognised under interest and other income during the year.

c Islamic financing arrangement amounting to KD1,528 thousand (2017: KD2,317 thousand) are secured against property, plant and equipment with a book value of KD2,598 thousand (2017: KD2,746 thousand). Also, certain conventional loans of KD5,503 thousand (2017: KD4,590 thousand) are secured against property, plant and equipment with a book value of KD3,581 thousand (2017: KD5,011 thousand).

d During the year, the Parent Company settled a Murabaha facility amounting to KD79,646 thousand at maturity, from the proceeds obtained through a new Murabaha facility of KD71,023 thousand and the remaining amount of KD8,623 thousand was settled in cash. The above new Murabaha facility is included under long term Islamic financing as of the reporting date. Under the terms of the new facility agreement, shares of one of the listed associates having a carrying value of KD145,977 thousand (2017: KD148,644 thousand) are kept in a custody portfolio account with specialised institutions (Note 23.2).

e Borrowings include unsecured long term financing facilities obtained by one of the foreign indirect subsidiaries of the Group from a Saudi Islamic bank and a financial institution and the amount due within one year from the facilities amounted to KD1,707 thousand. The unutilised facility balances as of 31 December 2018 amounted to SAR119.1mn equivalent to KD9,635 thousand. During the year, the above borrowings have been secured by foreign quoted investments with a fair value of KD5,915 thousand.

f Islamic financing arrangements includes Ijara payables of KD23,691 thousand (2017: KD22,324 thousand) which is secured against investment properties of local subsidiaries (Note 22).

Bonds

g During the year 2016, the Parent Company issued a floating rate bonds of KD25,000 thousand at face value maturing on 20 December 2021. The bonds benefit from certain uncollateralized financial assets at fair value through other comprehensive income and investment in subsidiary through one of the local subsidiaries of the Group to ensure repayment.

28 Provisions

	31 Dec. 2018 KD'000	31 Dec. 2017 KD '000
Pension liability (Note 33)	1,458	3,328
Provision for staff indemnity	11,664	11,429
Provision for land-fill expenses	451	400
	13,573	15,157

Notes to the consolidated financial statements (continued)

29 Share capital and share premium

a) As of 31 December 2018, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2017: 1,359,853,075 shares).

b) Share premium is not available for distribution.

30 Treasury shares

	31 Dec. 2018	31 Dec. 2017
Number of shares	**34,796,079**	34,796,079
Percentage of issued shares	**2.56%**	2.56%
Market value (KD '000)	**5,498**	5,219
Cost (KD'000)	**30,375**	30,375

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

As at 31 December 2018, an associate company of the Group held 135,692,090 (2017: 135,692,090) shares equivalent to 10% (2017: 10%) of the Parent Company's shares issued.

31 Cumulative changes in fair value and other components of equity

a) Cumulative changes in fair value

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Balance at 1 January (previously reported)	**103,959**	108,729
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (Note 4.1)	**(64,220)**	-
Balance at 1 January (restated)	**39,739**	108,729
Other comprehensive income:		
Net change in fair value of available for sale investments	-	(1,579)
Transferred to consolidated statement of profit or loss on disposal of available for sale of investments	-	(11,034)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	-	5,026
Share of other comprehensive income of associates		
- Changes in fair value	**(163)**	4,520
- Transferred to consolidated statement of profit or loss on disposal (Note 23.5)	-	(1,703)
Net changes in fair value of investments in equity instruments designated at FVOCI	**(18,912)**	-
Other comprehensive loss for the year	**(19,075)**	(4,770)
Realised gain on equity investments at FVOCI	**1,015**	-
Balance at 31 December	**21,679**	103,959

Notes to the consolidated financial statements (continued)

31 Cumulative changes in fair value and other components of equity (continued)

b) Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances as at 31 December 2017	**12,853**	**1,694**	**18,452**	**(2,542)**	**30,457**
Transactions with owners:					
Dividend paid	-	(251)	-	-	(251)
Other comprehensive income:					
Currency translation differences	-	-	-	(10,862)	(10,862)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	-	-	-	2,325	2,325
Other comprehensive income	-	-		(8,537)	(8,537)
Reserve transfers	2,158	-	-	-	2,158
Balances as at 31 December 2018	**15,011**	**1,443**	**18,452**	**(11,079)**	**23,827**
Balances at 31 December 2016	11,167	1,694	18,452	213	31,526
Other comprehensive income:					
Currency translation differences	-	-	-	(2,755)	(2,755)
Other comprehensive income	-	-	-	(2,755)	(2,755)
Reserve transfers	1,686	-	-	-	1,686
Balances at 31 December 2017	12,853	1,694	18,452	(2,542)	30,457

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to statutory 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 statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist. During the year, the Group has transferred an amount of KD2,158 thousand (2017: KD1,686 thousand) to statutory reserve.

General reserve

In accordance with the Parent Company's Articles of Association, a certain percentage of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to the general reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist. During the year, the Board of Directors of the Parent Company do not propose any transfer to general reserve and this is subject to approval at the General Assembly.

Notes to the consolidated financial statements (continued)

32 Non-controlling interests

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Balance at 1 January (previously reported)	**130,127**	137,047
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (Note 4.1)	**(481)**	-
Balance at 1 January (restated)	**129,646**	137,047
Amounts due to non-controlling interests on capital reduction of a subsidiary*	**(1,069)**	-
Non-controlling interests arising on acquisition of subsidiaries**	**6,568**	302
Dividend paid to non-controlling interests by the subsidiaries	**(1,655)**	(2,187)
Other net changes in non-controlling interests	**(228)**	(396)
Transactions with non-controlling interests	**3,616**	(2,281)
Profit for the year	**15,626**	2,027
Other comprehensive income :		
Exchange differences arising on translation of foreign operations	**(5,641)**	(1,915)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	**2,189**	-
Net change in fair value of available for sale investments	**-**	(3,410)
Transferred to consolidated statement of profit or loss on disposal of available for sale investments	**-**	(410)
Transferred to consolidated statement of profit or loss on impairment in value of available for sale investments	**-**	221
Share of other comprehensive loss of associates	**(183)**	(1,152)
Net changes in fair value of investments in equity instruments designated at FVOCI	**(1,591)**	-
Total other comprehensive loss for the year	**(5,226)**	(6,666)
Total comprehensive income/(loss) for the year	**10,400**	(4,639)
Balance at 31 December	**143,662**	130,127

* On 18 December 2017, the shareholders of one of the indirect subsidiaries of the Group, decided to decrease its share capital from KD33,500 thousand to KD14,137 thousand (by KD19,363 thousand) by setting off of accumulated losses of KD17,113 thousand and distributing to shareholders an amount of KD2,250 thousand out of which KD1,069 thousand pertains to non-controlling interests and these transactions have been adjusted in the Group's financials during the current year.

** During the year, certain subsidiaries of the Group have acquired certain local and foreign subsidiaries and non-controlling interests arising on acquisition of those subsidiaries amounted to KD6,568 thousand. Further, acquisition of one of those subsidiaries resulted in a bargain purchase surplus (negative goodwill) of KD593 thousand which has been included under "interest and other income" in the consolidated statement of profit or loss (Note 7.4).

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes

The Group has defined benefit pension schemes for the employees and former employees of certain subsidiaries in the United Kingdom. The Schemes provide benefits based on final salary and length of service on retirement. The Schemes are subject to the Statutory Funding Objective under the United Kingdom Pensions Act 2004. A valuation of the schemes is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Group must agree with the Trustees of the Schemes the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The Schemes are managed by a professional trustee appointed by the Group. The Trustee has responsibility for obtaining valuation of the fund, administering benefit payments and investing the Schemes' assets. The Trustee delegates some of these functions to their professional advisers where appropriate.

The Schemes expose the Group to a number of risks:

- Investment risk: The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short term volatility can cause additional funding to be required if deficit emerges.
- Interest rate risk: The Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Schemes hold assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk: A significant proportion of the benefits under the Schemes are linked to inflation. Although the Schemes' assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk: In the event that members live longer than assumed a deficit will emerge in the Schemes.
- For certain sections of the Schemes, members are assumed to commute 20% of their pension for cash at retirement. If on average less pension is taken this would lead to a deficit emerging.
- The Trustee holds insurance policies for some members of the Schemes. There is a very small risk that the insurers may default on their policies which would cause additional funding to be required.

Effect of the Schemes on the Group's future cash flows

The Group is required to agree Schedules of Contributions with the Trustee of the Schemes following the valuation which must be carried out at least once every three years. In the event the valuation reveals a larger deficit than expected the Group may be required to increase contributions above those set out in the existing Schedules of Contributions. Conversely if the position is better than expected contributions may be reduced.

The Group expects to contribute KD593 thousand to its defined benefit plan in 2019 which has been agreed with the Pension Trustee in line with actuarial advice and aims to eliminate the deficit within an acceptable period of time.

The following disclosures cover all the schemes on an aggregated basis. The schemes are closed to new members and do not accrue further benefits. Actuarial calculations have been made in order to determine pension liabilities and pension expenses in connection with the Group's defined benefit pension schemes.

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

The following assumptions have been used in calculating the liabilities and expenses incurred:

	31 Dec. 2018	31 Dec. 2017
Discount rate at 31 December	**3.00%**	2.80%
Inflation assumption (RPI)	**3.45%**	3.35%
Revaluation in deferment (CPI)	**2.45%**	2.35%
Expected return on plan assets	**3.00%**	2.80%
Future salary increases	**0.00%**	0.00%
Future pension increases	**3.30%**	3.35%
Mortality after retirement	2018: SAPS (S2NA) (2017: SAPS (S2NA)) tables with medium cohort year of birth projections and minimum of 1.25% (2017: 1.25%) per annum improvement.	

Under the mortality tables adopted, the expected age at death for a member at age 65 is as follows:

	31 Dec. 2018	31 Dec. 2017
Male currently aged 45	**89.6**	89.6
Female currently aged 45	**90.7**	91.9
Male currently aged 65	**87.2**	87.8
Female currently aged 65	**89.2**	90.0

The average of the weighted average duration of the liabilities of each of the Schemes is 18 years (2017: 16 years).

Consolidated statement of profit or loss

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Interest cost	**(602)**	(641)
Expected return on assets	**526**	562
Accrued expenses	**-**	(8)
Past service cost	**(530)**	-
Net annual charge included in general, administrative and other expenses	**(606)**	(87)

A reconciliation of the movement in the liability for defined benefit pension scheme is as follows:

Consolidated statement of financial position

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Brought forward liability	**3,328**	2,743
Consolidated statement of profit or loss (net)	**606**	87
Contributions	**(1,193)**	(639)
Actuarial (gain)/losses	**(1,202)**	940
Foreign exchange adjustments	**(81)**	197
Carried forward liability	**1,458**	3,328

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Reconciliation of consolidated statement of financial position liability

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Present value of obligations	**18,968**	22,095
Fair value of plan assets	**(17,510)**	(18,767)
Net plan deficit	**1,458**	3,328
Unrecognised actuarial losses	**-**	-
Net liability recognised in the consolidated statement of financial position	**1,458**	3,328

Changes in the present value of the defined benefit obligation

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Opening defined benefit obligation	**22,095**	20,551
Corporate disposal	**-**	(583)
Interest cost	**602**	641
Actuarial (gains)/losses	**(1,465)**	1,151
Accrued expenses	**-**	8
Past service cost	**530**	-
Experience loss	**(792)**	-
Benefits and expenses paid	**(1,024)**	(1,021)
Foreign exchange adjustment	**(978)**	1,348
Closing defined benefit obligation	**18,968**	22,095

Changes in the fair value of the plan assets

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Opening fair value of plan assets	**18,767**	17,816
Expected return on assets	**526**	562
Actuarial (losses)/gains	**(1,055)**	203
Contributions by employer	**1,193**	639
Benefits and expenses paid	**(1,024)**	(1,021)
Corporate disposal	**-**	(614)
Foreign exchange adjustment	**(897)**	1,182
Closing fair value of plan assets	**17,510**	18,767

The fair value of the plan assets, by category is as follows:

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Plan assets:		
Equities	**8,755**	8,820
Bonds	**6,654**	8,633
Other assets	**2,101**	1,314
	17,510	18,767

The actual return on the Schemes' assets net of expenses over the period was 2.8% (2017: 4.2%).

Notes to the consolidated financial statements (continued)

33 Defined benefit pensions schemes (continued)

Sensitivity of the value placed on liabilities
The defined benefit obligation would be affected by changes in the actuarial assumptions. The table below shows the potential impact of relatively small changes in the key assumptions:

Adjustment to assumptions	Approximate effect on liabilities KD '000
Discount rate	
Plus 0.5%	(1,556)
Minus 0.5%	1,765
Inflation	
Plus 0.25%	363
Minus 0.25%	(367)
Life expectancy	
Plus 1 year	761
Minus 1 year	(757)

Note the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

34 Segmental analysis

The Group activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000	**Year ended 31 Dec. 2018 KD '000**	Year ended 31 Dec. 2017 KD '000
Kuwait	**640,716**	628,293	**64,404**	59,656
Outside Kuwait	**562,008**	637,000	**61,002**	50,854
	1,202,724	1,265,293	**125,406**	110,510

Notes to the consolidated financial statements (continued)

34 Segmental analysis (Continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000
Segment revenue	**88,853**	74,216	**52,923**	45,141	**58,110**	48,060	**14,373**	17,309	**214,259**	184,726
Less:										
Income from investments									**(44,683)**	(34,570)
Share of result of associates									**(15,182)**	(19,035)
Profit on disposal of associates									**(4,207)**	(17,447)
Changes in fair value of investment properties									**(34)**	3,455
Rental income									**(2,753)**	(1,859)
Interest and other income									**(21,994)**	(4,760)
Sales, per consolidated statement of profit or loss									**125,406**	110,510
Segment profit/(loss)	**70,445**	56,236	**3,703**	3,046	**(1,105)**	(1,610)	**(1,035)**	72	**72,008**	57,744
Less:										
Finance costs									**(32,693)**	(31,412)
Other unallocated (loss)/gain									**(855)**	1,540
Profit before foreign taxation									**38,460**	27,872
Segment assets	**1,018,780**	1,099,847	**70,925**	68,623	**98,261**	77,332	**14,758**	19,491	**1,202,724**	1,265,293
Segment liabilities	**(23,712)**	(14,631)	**(23,091)**	(23,578)	**(17,414)**	(17,576)	**(8,033)**	(7,763)	**(72,250)**	(63,548)
Segment net assets	**995,068**	1,085,216	**47,834**	45,045	**80,847**	59,756	**6,725**	11,728	**1,130,474**	1,201,745
Borrowings, bonds and due to banks									**(634,126)**	(695,630)
Total equity, per consolidated statement of financial position									**496,348**	506,115

Notes to the consolidated financial statements (continued)

34 Segmental analysis (Continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering and chemical KD '000	Hotel and IT services KD '000	Total KD '000
At 31 December 2018					
Additions to property, plant and equipment	**10**	**5,523**	**7,121**	**91**	**12,745**
Depreciation	**316**	**3,023**	**3,462**	**390**	**7,191**
Impairment in value of goodwill and other intangible assets	**-**	**-**	**2,468**	**1,166**	**3,634**
At 31 December 2017					
Additions to property, plant and equipment	4	3,760	4,024	95	7,883
Depreciation	221	3,129	2,806	326	6,482
Impairment in value of available for sale investments	5,247	-	-	-	5,247

35 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group 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 transactions and balances are as follows:

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Balances included in the consolidated statement of financial position:		
Due from related parties (included in accounts receivable and other assets)		
- Due from associate companies	**921**	825
- Due from key managements personal	**70**	70
- Due from other related parties	**5,875**	5,845
Due to related parties (included accounts payable and other liabilities)		
- Due to associates	**419**	20
- Due to other related parties	**1,695**	1,492

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Transactions with related parties:		
Development and construction costs	**-**	2,555
Sale of available for sale investments and investment properties to related parties	**-**	1,173
Transfer of assets to a related party	**-**	350
Purchase of financial assets at FVOCI	**3,537**	-
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials – from associates	**4,308**	2,899
Impairment in value of accounts receivable and other assets	**803**	-

Notes to the consolidated financial statements (continued)

35 Related party transactions (continued)

	Year ended 31 Dec. 2018 KD '000	Year ended 31 Dec. 2017 KD '000
Compensation of key management personnel of the Group		
Short term employee benefits	**4,654**	3,913
Board of Directors' remuneration including subsidiaries	**839**	850
End of service benefits	**163**	253
	5,656	5,016

36 Summary of financial assets and liabilities by category and fair value measurement

36.1 Categories of financial assets and liabilities

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

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Financial assets:		
At amortised cost: (2017: loans and receivables)		
• Bank balances and cash	**32,077**	38,436
• Short term deposits	**9,136**	8,020
• Wakala and sukuk investments	**1,153**	1,153
• Accounts receivable and other financial assets (Note 17)	**45,075**	90,448
	87,441	138,057
At fair value:		
• Financial assets at fair value through profit or loss (Note 19)	**364,713**	74,780
• Financial assets at fair value through other comprehensive income (Note 20)	**216,485**	-
	581,198	74,780
Available for sale investments (Note 21)		
- At fair value	**-**	504,988
- At cost / cost less impairment	**-**	20,214
	-	525,202
Total financial assets	**668,639**	738,039
Financial liabilities:		
At amortised cost:		
• Due to banks	**23,009**	22,315
• Accounts payable and other financial liabilities (Note 26)	**57,102**	47,493
• Borrowings and bonds	**611,117**	673,315
	691,228	743,123

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.2 Fair value measurement

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 at fair value though profit or loss, financial assets at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 36.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (Note 36.4).

36.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

At 31 December 2018

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	214,493	-	-	214,493
-Quoted debt securities	a	1,299	-	-	1,299
-Unquoted equity participations	b	-	12,134	9,508	21,642
-Managed portfolios and funds	c	-	5,207	122,072	127,279
Financial assets at FVOCI					
-Quoted shares	a	45,854	-	-	45,854
-Unquoted equity participations	b	-	58,789	82,265	141,054
-Managed portfolios and funds	c	-	6,951	22,626	29,577
		261,646	83,081	236,471	581,198

Notes to the consolidated financial statements (continued)

36 Summary of financial assets and liabilities by category (continued)

36.3 Fair value hierarchy (continued)

At 31 December 2017

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	24,928	-	-	24,928
-Managed portfolios and funds	c	654	41,751	7,447	44,518
Available for sale investments					
-Quoted shares	a	216,808	-	14,634	231,442
-Unquoted equity participations	b	-	61,531	102,202	163,733
-Managed portfolios and funds	c		3,786	106,027	109,813
		242,390	107,068	230,310	579,768

Measurement at fair value

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

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year, except for certain foreign quoted shares that have been fair valued based on quoted prices in active markets as the Group's management believes that such valuations are more representative of the fair values of such investments based on the information available to the management. Accordingly, these investments with a carrying value of KD14,634 thousand has been transferred from level 3 to 1 level.

a) Quoted shares and debt instruments (Level 1 and 3)

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques (Level 3).

b) Unquoted equity participations (Level 2 and 3)

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

c) Managed portfolios and funds

Private equity funds (Level 3)

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios and funds (Level 1, 2 and 3)

The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on periodic reports received from the portfolio/fund managers.

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.3 Fair value hierarchy (continued)

Level 3 Fair value measurements

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

	31 Dec. 2018 KD'000	31 Dec. 2017 KD'000
Opening balance	**230,310**	297,135
Net change in fair value	**(1,139)**	2,423
Impairment recognised in profit or loss	**-**	(3,401)
Transferred from investments carried at cost to fair value	**20,214**	-
Net addition during the year	**1,720**	10,500
Reclassification	**(14,634)**	(76,347)
Closing balance	**236,471**	230,310

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.3 Fair value hierarchy (continued)

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial assets	Fair value as at 31 Dec. 2018 KD'000	31 Dec. 2017 KD'000	Fair value hierarchy	Valuation technique	Significant unobservable input	Sensitivity of the fair value measurement to the input	Range
Financial assets at FVTPL:							
Unquoted equity participations	**9,508**	-	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Managed portfolios and funds	**122,072**	7,447	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Financial assets at FVOCI:							
Unquoted equity participations	**82,265**	-	3	Adjusted NAV basis/ DCF method/ market multiples	Long term growth rate for cash flows for subsequent years	Higher the growth rate, higher the fair value	3% - 3.45%
					WACC	Higher the WACC, lower the value	13% - 15%
					Discount for lack of marketability	Higher the discount rate, lower the value	10% - 15%
Managed portfolios and funds	**22,626**	-	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Available for sale investments:							
Unquoted equity participations and certain quoted shares	-	116,836	3	DCF method/ market multiples	Long term growth rate for cash flows for subsequent years	Higher the growth rate, higher the fair value	2.5% - 4.0%
					WACC	Higher the WACC, lower the value	10.07% - 16.45%
					Discount for lack of marketability	Higher the discount rate, lower the value	10% -15%
Private equity funds and other managed funds	-	106,027	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A

The impact on 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%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured level 3 of fair value hierarchy on a recurring basis at 31 December 2018 and 2017.

	31 Dec. 2018 KD'000 Level 3	31 Dec. 2017 KD'000 Level 3
Investment properties		
- Lands and buildings in Kuwait	**38,020**	38,045
- Lands and buildings in Saudi Arabia	**4,794**	4,781
- Lands and buildings in UAE	**344**	354
- Properties under development	**29,583**	17,038
- Lands in UAE	**168**	1,635
- Lands in Jordan	**504**	501
- Lands in Kuwait	**2,600**	2,850
- Building in London	**844**	917
	76,857	66,121

The above buildings mainly represent rental properties on freehold land categorized as "Investment Lands" (i.e land which can be used to construct multiple residential unit buildings, apartments, villas, duplex and studios), in Kuwait, UAE, London and Saudi Arabia. The freehold lands above also mainly represent lands categorized as investment lands. The fair value of the investment properties has been determined based on valuations obtained from independent valuators, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuators is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the yield method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuator who is a local/foreign reputable valuator has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used, adjustments have been incorporated for factors specific to the land in question, including plot size, location, construction/development cost and current use. For the valuation purpose for properties in Kuwait, the Group has selected the lower value of the two valuations (2017: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

Notes to the consolidated financial statements (continued)

36 Summary of assets and liabilities by category (continued)

36.4 Fair value measurement of non-financial assets (continued)

	Fair value as at 31 Dec. 2018 KD'000	31 Dec. 2017 KD'000	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair value	Range of unobservable inputs
Land and buildings in Kuwait, UAE and Saudi Arabia	**72,741**	60,218	Yield method and Market comparison approach for land and cost less depreciation for buildings	Estimated marker price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2018: KD714 to KD7,900** (2017: KD1,100 to 8,052)
				Construction cost (per sqm)	The higher the price per square meter, the higher the fair value	**2018: KD51 to KD2,527** (2017: KD59 to KD662)
				Average monthly rent (per sqm)	The higher the construction cost per square meter, the higher the fair value	**2018: KD3.86 to KD154.37** (2017: KD2.5 to KD154)
				Yield rate	The higher the rent per square meter, the higher the fair value	**2018: 6.11% to 11.15%** (2017: 5.23% to 14.89%)
				Vacancy rate	The higher the yield rate, the lower the value	**2018: 10%** (2017: 10%)
Freehold lands Kuwait, UAE and Jordan	**3,272**	4,986	Market comparison approach	Estimated market price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2018: KD89 to KD7,900** (2017: KD55 to KD8,050)
Building in London	**844**	917	Yield method	Average monthly rent (per sqm)	The higher the rent per square meter, the higher the fair value	**2018: KD11.85** (2017: KD11.12)
				Yield rate	The higher the yield rate, the lower the value	**2018: 6.11%** (2017: 5.86%)
				Vacancy rate	The higher the vacancy rate the lower the fair value	**2018: 10%** (2017: 10%)

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in Note 22.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long term borrowings and bond, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, wakala and sukuk investments, short term deposits and investments and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Board of Directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

37.1 Market risk

The most significant financial risks to which the Group is exposed to are described below.

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar, Saudi Riyal and GBP. The consolidated statement of financial position can be significantly affected by the movement in these currencies. 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. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the consolidated open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2018 *Equivalent* KD '000	31 Dec. 2017 *Equivalent* KD '000
US Dollars	**(97,540)**	(140,043)
Saudi Riyals	**14,658**	15,670
GBP	**(97)**	2,634

The Parent Company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

a) Foreign currency risk (continued)

	Impact on profit	
	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
US Dollars	**4,877**	7,002
Saudi Riyals	**(733)**	(783)
GBP	**5**	(132)
	4,149	6,087

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and GBP and positive for Saudi Riyals (2017: negative for US Dollars and positive for GBP and Saudi Riyals).

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.

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 on its short term deposits (Note 15), borrowings and bonds (Note 27) and due to banks (Note 15) which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000
Effect on profit for the year	**(1,479)**	(1,620)	**4,438**	4,860

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia, Egypt, Pakistan and USA. Equity investments are classified either as "financial assets at fair value through profit or loss" or "financial assets at fair value through other comprehensive income".

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

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk (continued)

c) Equity price risk (continued)

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates an increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Profit for the year		Other comprehensive income	
	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000	**31 Dec. 2018 KD '000**	31 Dec. 2017 KD '000
Financial assets at FVTPL	**21,449**	2,558	**-**	-
Financial assets at FVOCI (2017: Available for sale investments)	**-**	1,085	**4,585**	21,680
	21,449	3,643	**4,585**	21,680

For a 10% decrease in the equity prices there would be an equal and opposite impact on the profit for the year and other comprehensive income and the amounts shown above would be negative.

37.2 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 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.

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

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Bank balances and cash	**32,077**	38,436
Short term deposits	**9,136**	8,020
Wakala and sukuk investments	**1,153**	1,153
Accounts receivable and other assets (Note 17)	**45,075**	90,448
Financial assets at fair value through profit or loss	**364,713**	74,780
Financial assets at fair value through other comprehensive income	**216,485**	-
Available for sale investments	**-**	525,202
	668,639	738,039

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments (Note 16) and account receivable and other asset (Note 17) respectively. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.2 Credit risk (continued)

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in Note 37.3.

37.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia and Africa KD '000	UK and Europe KD '000	USA KD '000	Total KD '000
At 31 December 2018						
Geographic region:						
Bank balances and cash	**14,401**	**6,387**	**133**	**10,695**	**461**	**32,077**
Short term deposits	**8,953**	**183**	**-**	**-**	**-**	**9,136**
Wakala and sukuk investments	**1,153**	**-**	**-**	**-**	**-**	**1,153**
Accounts receivable and other assets	**18,540**	**14,881**	**2,257**	**8,297**	**1,100**	**45,075**
Financial assets at FVTPL	**164,679**	**79,747**	**2,176**	**4,897**	**113,214**	**364,713**
Financial assets at FVOCI	**39,793**	**102,437**	**55,650**	**4,329**	**14,276**	**216,485**
	247,519	**203,635**	**60,216**	**28,218**	**129,051**	**668,639**
At 31 December 2017						
Geographic region:						
Bank balances and cash	27,316	6,923	121	4,063	13	38,436
Short term deposits	7,473	547	-	-	-	8,020
Wakala and sukuk investments	1,153	-	-	-	-	1,153
Accounts receivable and other assets	20,524	56,000	2,306	6,212	5,406	90,448
Financial assets at FVTPL	17,436	13,555	873	34,702	8,214	74,780
Available for sale investments	160,195	197,070	69,963	4,977	92,997	525,202
	234,097	274,095	73,263	49,954	106,630	738,039

37.4 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 table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income (2017: available for sale investments) and investment properties is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	At 31 December 2018			At 31 December 2017		
	1 year KD '000	Over 1 year KD '000	Total KD '000	1 year KD '000	Over 1 year KD '000	Total KD '000
ASSETS						
Bank balances and cash	**32,077**	**-**	**32,077**	38,436	-	38,436
Short term deposits	**9,136**	**-**	**9,136**	8,020	-	8,020
Wakala and sukuk investments	**1,000**	**153**	**1,153**	1,153	-	1,153
Accounts receivable and other assets	**43,219**	**6,234**	**49,453**	92,152	3,755	95,907
Inventories	**36,587**	**-**	**36,587**	33,194	-	33,194
Financial assets at FVTPL	**144,828**	**219,885**	**364,713**	74,780	-	74,780
Financial assets at FVOCI	**57,676**	**158,809**	**216,485**	-	-	-
Available for sale investments	**-**	**-**	**-**	113,836	411,366	525,202
Investment properties	**-**	**76,857**	**76,857**	-	66,121	66,121
Investment in associates	**4,886**	**312,576**	**317,462**	-	336,045	336,045
Property, plant and equipment	**-**	**88,876**	**88,876**	-	72,314	72,314
Goodwill and other intangible assets	**-**	**9,925**	**9,925**	-	14,121	14,121
	329,409	**873,315**	**1,202,724**	361,571	903,722	1,265,293
LIABILITIES						
Due to banks	**23,009**	**-**	**23,009**	22,315	-	22,315
Accounts payable and other liabilities	**58,642**	**35**	**58,677**	48,364	27	48,391
Borrowings and bonds	**265,136**	**345,981**	**611,117**	465,342	207,973	673,315
Provisions	**-**	**13,573**	**13,573**	-	15,157	15,157
	346,787	**359,589**	**706,376**	536,021	223,157	759,178

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	Over 1 year KD '000	Total KD '000
31 December 2018					
Financial liabilities (undiscounted)					
Due to banks	**23,009**	**-**	**-**	**-**	**23,009**
Accounts payable and other liabilities	**26,003**	**6,527**	**24,537**	**35**	**57,102**
Borrowings and bonds	**37,939**	**60,839**	**194,260**	**407,484**	**700,522**
	86,951	**67,366**	**218,797**	**407,519**	**780,633**
31 December 2017					
Financial liabilities (undiscounted)					
Due to banks	22,315	-	-	-	22,315
Accounts payable and other liabilities	20,125	8,254	19,087	27	47,493
Borrowings and bonds	41,041	81,186	368,654	229,804	720,685
	83,481	89,440	387,741	229,831	790,493

The Group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. During the year 2018, the Group's management has successfully renewed all short term facilities which were classified as falling due within one month and one to three months.

Notes to the consolidated financial statements (continued)

38 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure for the Group consists of the following:

	31 Dec. 2018 KD '000	31 Dec. 2017 KD '000
Borrowings and bonds (Note 27)	**611,117**	673,315
Due to banks	**23,009**	22,315
	634,126	695,630
Less :		
Bank balances and cash	**(32,077)**	(38,436)
Short term deposits	**(9,136)**	(8,020)
Wakala and sukuk investments	**(1,153)**	(1,153)
Net debt	**591,760**	648,021
Total equity	**496,348**	506,115

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2018 %	31 Dec. 2017 %
Net debt to equity ratio	**119**	128

39 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2018 amounted to KD9,225 thousand (2017: KD8,840 thousand) of which assets managed on behalf of related parties amounted to KD3,121 thousand (2017: KD2,968 thousand).

40 Contingent liabilities and capital commitments

At 31 December 2018, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD26,888 thousand (2017: KD24,705 thousand) and other contingencies with regard to pending litigations and tax claims amounting to KD356 thousand (2017: KD356 thousand)

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment and investment properties totalling KD31,498 thousand (2017: KD43,418 thousand) and committed loan to a related party KD304 thousand (2017: KD2,720 thousand).

At the reporting date, the Group had commitment to pay lease rentals amounting to KD3,874 thousand (2017: KD4,815 thousand).

Notes to the consolidated financial statements (continued)

41 Dividend distribution

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a cash dividend of 12% (2017: 10%) equivalent to 12 Fils (2017: equivalent to 10 Fils) per share for the year ended 31 December 2018 and 5% bonus shares which represent 67,992,654 shares of 100 Fils each amounting to KD6,799 thousand.

At the Annual General Meeting held on 10 May 2018, the shareholders approved a cash dividend of 10% equivalent to 10 Fils per share for the year ended 31 December 2017 (2016: Nil).

42 Comparative information

Certain other comparative figures have been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.

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