بسم الله الرحمن الرحيم

IN THE NAME OF GOD, MOST GRACIOUS, MOST MERCIFUL.

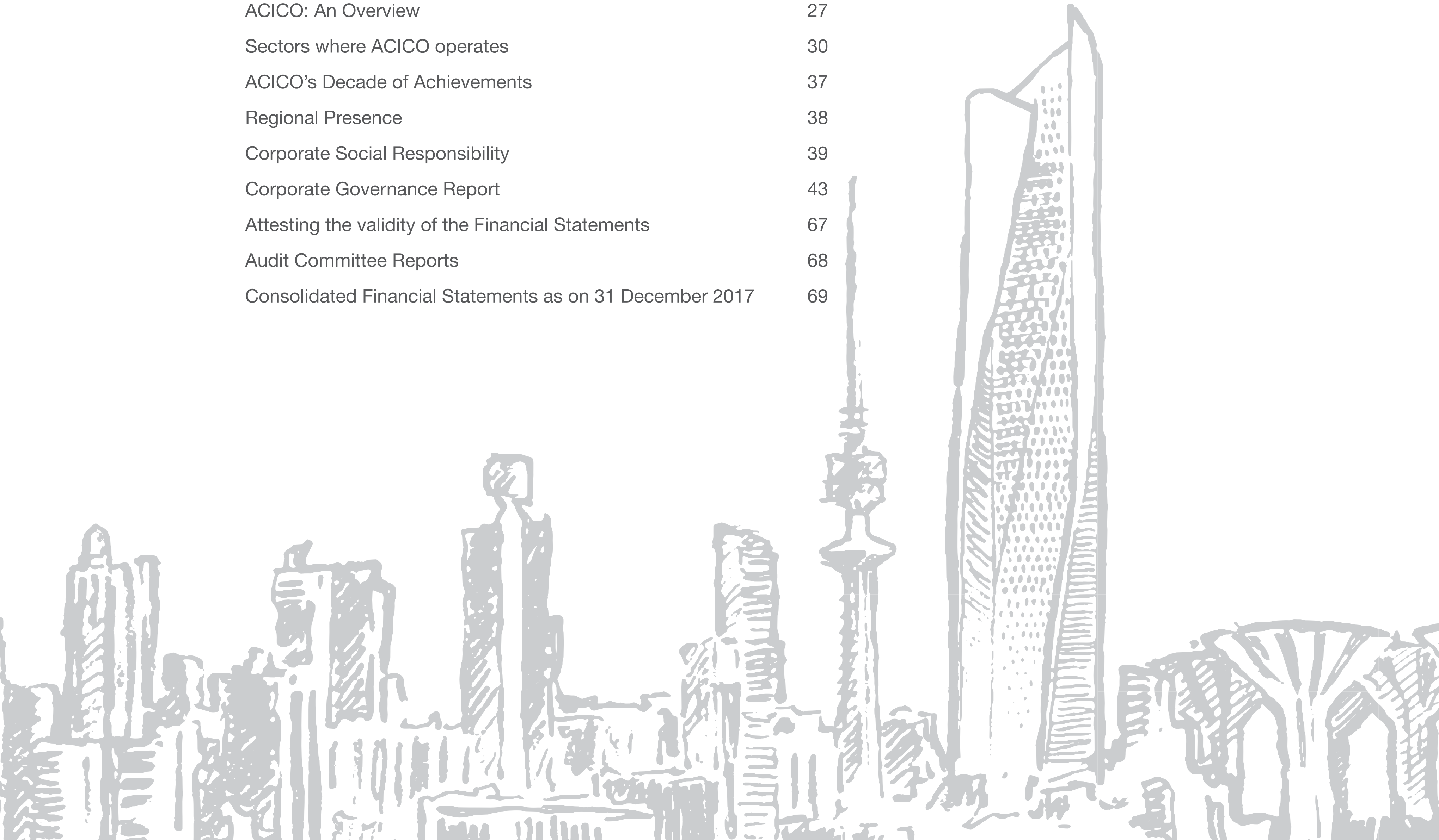
His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

Table of Contents



Vision

Globally recognized leader and trusted brand in every industry in which we compete all whilst delivering sustained, profitable growth cultivated in a culture inspiring passion, creativity and positive spirits.

Mission

We create extraordinary experiences for our generation and generations to come.

Values

Integrity

We believe that integrity lies in delivering what we promise. We are respectful. We stand for equality, accessibility and are always accountable for our actions.

Loyalty and Devotion

We are diligent and sustainable when it comes to working together and building solutions as one team. We always consider the needs of others to create better environments for us all.

Transparency

We believe in honesty and openness when it comes to business and actions. We value collaborations that promote self-reflection and self development.

Excellence

We strive to achieve superior results and aim to provide solutions and quality products that create a sustainable way of living for all. We always reach further to do better.

ACICO at a glance

Since establishment in 1990, ACICO Industries was one of the very first manufacturers of prefabricated concrete, evolving to become the most capable and dependable suppliers in the building material, construction and real estate development industries. ACICO's illustrious reputation, as one of the most recognized companies in the region, bears invaluable long-term strategies and vision. Despite our expanding operational footprint, our roots fasten our presence in the communities where we operate and work.

ACICO was setup on solid foundations. Living up to stakeholders' expectations in terms of the quality of products and services rendered, attracting the qualified and experienced is the predominant culture adopted by the company and all its employees to maintain ACICO's leadership in all areas of operation.

ACICO

ACICO CONSTRUCTION

ACICO CEMENT

ACICO INDUSTRIES

ACICO AIPC

ACICO REAL ESTATE

ACICO REAL ESTATE HOTELS

ACICO Group of Companies

ACICO Group of Companies operate in the industrial sector of the State of Kuwait, The United Arab Emirates, The Kingdom of Saudi Arabia and the State of Qatar. The main focus of the Companies is on the manufacture of construction material, engineering, planning and execution of projects, and development and management of real estate.

ACICO has a First Grade classification for construction and contracting in Kuwait, sustainably providing innovative, practical and sustainable solutions to the industrial, commercial, institutional and residential sectors. ACICO's manufacturing plants are among the largest factories producing high quality construction materials such as eco friendly aerated concrete, cement products, and different types of ready mix concrete.

CHAIRMAN’S MESSAGE

Honorable Shareholders,

Initially, I welcome your kind presence and I am honored to meet with you at our annual meeting to review the most important milestones of your company in 2017.

We present for your review the Annual Report for the 2017 fiscal year, and I would be honored if you would join me in the review of the most important developments and achievements witnessed by the company during this year.

The financial performance of the company faced several challenges and influences, in particular the geopolitical situation in the region. However, the company enhanced its financial capability and diversification by varying sources of income and continuing to maintain the quality of its products and services. This has led to positive results. The company achieved a net profit attributable to shareholders of KD 5.130 million for the year 2017 compared to the last year 2016, which amounted to KD 7.238 million, and we are continuing with this progress in the coming years, God willing. Taking into account new happenings and developments in the local and regional markets, we seek to increase the company’s market share and hope this is reflected in our business performance. The company also increased its total revenues to reach KD 107.699 million during 2017, compared to KD 98.626 million in 2016. The Board of Directors recommends distributing cash dividend of 10 fils per share and distributing bonus shares of 5 fils per share. The board also recommended the distribution of a bonus to the members of the Board of Directors at a total value of KD 45,000 as a result of their efforts. All these recommendations are subject to the approval of the Company’s General Assembly. The Board of Directors also decided to distribute 5% of the shares owned by the parent company in its subsidiary “Company” ACICO Construction - KSC (Closed) to the shareholders of the parent company.

Keen to build a solid base on which the company’s business is based, the Board of Directors of the Company of ACICO Industries has adopted “Corporate Governance Policy”. Governance is a set of policies, procedures and good practices that can guide, manage and control the business and its activities within the company as well as a generate a range of reports that help make the right decisions, ensuring the principles of transparency and justice are established in order to achieve the company’s and stakeholders objectives. ACICO Industries has worked closely to keep up with latest developments in governance.

In conclusion, on behalf of myself, all the members of the Board of Directors, and the company employees, I would like to express our appreciation to you for your support of the company’s progress, your support to the Board of Directors and the precious trust you have given us, without which we would not have been able to reach what we are. Let us promise that, God willing, we will maintain our commitments with you to maximize your equity in the coming years.

On behalf of our shareholders, we would like to express our deep appreciation to the Executive Management of the company for their efforts to draw up a strategy for the future performance of the company and for all the employees of the ACICO Group of Companies for the results achieved during the year 2017. We wish them continued success.

Abdul Aziz Ahmed Abdullah Al-Ayyoub

Chairman

MEMBERS OF THE BOARD OF DIRECTORS

Abdul Aziz Ahmed Al-Ayyoub

Chairman

BS in Electrical Engineering - University of New Mexico, USA 1967
Mr. Abdul Aziz Ahmed Al-Ayyoub has been a prominent telecommunications pioneer since 1968, contributing to the improvement and development of this sector in Kuwait after serving as chairman and general manager of MTC (now known as Zain) with nearly 30 years of experience.
He has served as the Chairman of ACICO Group since 1999 and contributed to defining the company’s tasks and objectives, as well as his role as the Undersecretary of the Ministry of Communications (former).

Ghassan Ahmad Saud Al-Khaled

Vice Chairman and CEO

Master of Civil Engineering - University of West Virginia, USA
Mr. Ghassan Al-Khaled began his career in 1975 and is a well-known businessman in the GCC and is highly respected. Mr. Ghassan Al Khaled established and operates the Aerated Concrete Industries Company.
Mr. Ghassan Al-Khaled is currently the Deputy Chairman of the National Bank of Kuwait.

Ahmed Faisal Al-Refaie
Member of the Board

Bachelor of Business Administration, Quantitative Economics - Minor in Business Administration - California State University - Dominguez Hills, USA
Mr. Ahmed Al-Rifaie has more than 25 years of experience in the industrial, real estate, investment and banking fields. He is currently the Investment Manager of a leading industrial company in Kuwait and CEO of a local real estate company.

Ahmed Ghassan Ahmed Saud Al-Khaled
Member of the Board

Master of Business Administration - University of Thunderbird, Arizona
Master of Science, Engineering Management - Economics, Finance and Cost Engineering - George Washington University, Washington DC
Bachelor of Science, Civil Engineering - George Washington University, Washington DC
Eng. Ahmed Al-Khaled has diverse professional experience and strong management skills, as well as an educational background in business administration and engineering. With 14 years of work in prestigious local construction companies, he has gained professional experience and has created excellent capabilities.

Faten Farouq Al-Naqeeb
Member of the Board

Master of International Law - University of Cambridge 2010
BA in Law - Kuwait University, 1986
Faten Al-Naqeeb serves as a lawyer and legal advisor in the field of multi-business and Middle Eastern and international corporate law, specializing in litigation and transactions. She also focuses on providing solutions and results by protecting legal interests.
Faten Al-Naqeeb holds a license to practice her profession as a practicing lawyer before the Supreme Court of Appeal and Constitutional Courts in Kuwait.

Basel Abdullah Mishari Al-Nafisi
Independent Member of the Board

Bachelor of Business Administration with specialization in IT Business - American University, Washington DC.
Mr. Al-Nafisi has extensive experience and a successful career in the banking and real estate sector, locally and internationally, over the course of the decade, in addition to obtaining many certificates of completion in leadership and management skills.
Mr. Basel has also been appointed to the Board of Directors of a well-known real estate company and has been listed for two years and has contributed to defining the company’s tasks and objectives.


CONTRACT

CEO'S MESSAGE

Honored Shareholders

At the outset, I would like to thank you personally and on behalf of the members of the executive management and for your effective role as shareholders and stakeholders. I am also pleased to review and complete the performance of your company for the year ended 31 December 2017.

First: Improved performance and expansion of operational activities

The Group has completed the expansion of cement production line to keep up with the new projects as it seeks to increase its market share and benefit from the opportunities available in the market. This decision is a response to the growth of our sales in the cement sector and the factory's production at capacity. Also this year, ACICO's cement products and materials has become one of the state-subsidized materials provided to citizens for the construction of private housing, which is an additional boost to our products through increased confidence and increased market share.

The company's vision is in line with the nations second development program 2019/2020, as issued by the Higher Council for Planning within the scope of "Kuwait's Vision 2035", and its associated projects as we strive to be at the forefront of suppliers to the different projects, including but not limited to bricks, aerated concrete, prefabricated concrete, precast concrete, interlocking tiles, reinforced concrete and cement materials, all of which have been approved as subsidized items for use by citizens of private housing, thus resulting in increased production due to increased demand.

The most important projects are the expansion and development of Kuwait International Airport (Terminal 2), the Sheikh Jaber Al-Ahmad Bridge and the Environmental Fuel Project. As well as the housing projects that the Public Authority for Housing Welfare aims to accomplish through its five-year plan, the most important of which are the projects of Sabah Al-Ahmad, Jaber Al-Ahmad, the Northwest Sulaybikhat project, Al Wafra Al Qaim project and its expansions, the West Abdullah Al-Mubarak project, Khiran, South Saad Al Abdullah Project, South Sabah Al Ahmad Project, Nawaf Al Ahmad Project and Sabriyah City.

All of these factors have led to the Group to work on the basis of integration in the provision of construction materials, in addition on focusing on keeping up with the highest standards regarding our fleet of vehicles, the Trans Mixers, to deliver ready mix concrete. This action was taken in response to the growing demand of our sales as a consequence of the execution of the new mega projects that had been floated previously. This sector remains promising in the light of the group of strategic projects and housing cities, which will be launched within the next two years.

In the past decade, ACICO Industries has achieved a year-on-year net profit. In 2017, it achieved a net profit attributable to the shareholders of the parent company of KD 5.130 million, compared to last year 2016 amounting to KD 7.238 million.

Corporate Governance

The culture of governance is a part the company's culture that exists at all levels and throughout practices of all its employees, in order to activate and apply the best standards in the field of governance and compliance with its instructions and guidelines as issued by the Capital Market Authority regarding governance, and through follow-up with developments regarding governance and other decisions issued by the Capital Market Authority, especially during this past year that was witness to several changes to the articles of the Executive Regulations and the new segmentation of stock exchange (Boursa Kuwait) and the new instructions regarding the listing, which constituted a new challenge for the company's requirements to follow up and adhere.

Governance is a set of policies, procedures and good practices that can guide, manage and control the tasks and activities within the company as well as generate a set of reports that help in taking the appropriate decisions to ensure the consolidation of the principles of transparency and justice and to achieve the objectives of the company and stakeholders, reflecting positively on the company operations.

ACICO has put in place criteria and components for activating channels of communication and disclosure with shareholders, investors and stakeholders to be in constant contact with the company's developments in a neutral, transparent and fair manner. The company also established effective mechanisms to ensure the protection of the rights of stakeholders (shareholders, customers, employees, etc.) and to ensure impartiality and integrity in decision making and allocation of functions within the board to improve oversight role and reduce possible conflicts of interest.

Future Plans

After the Company has developed its assets and is now able to stand on a firm foundation of operating assets and human resources that would enable it to reap sustainable returns, particularly in terms of seizing opportunities and benefiting from planned projects and global events, such as the development projects listed with the Kuwait Vision 2035 strategic plan, involving an array of infra-structure projects, oil sector projects and other major projects in Kuwait, as well as the regional developments and associated projects floated in Dubai and Qatar.

Second: Human Capital Investment and Equality amongst the genders

The human capital is one of the most important investments that we seek to strengthen and maintain at the highest levels. In 2017, the Group managed to structure and develop a range of departments in order to increase the efficiency and effectiveness of the Group companies, maintain a high degree of transparency and to keep up with the growth at the Group level , And to ensure the contribution of all sectors to the added value, where best management practices have been established in order to achieve the best results.

Ghassan Ahmed Saud Al-Khaled
Vice Chairman and CEO

EXECUTIVE MANAGEMENT

Ghassan Ahmed Saud Al-Khaled

Chief Executive Officer

Ghosson Ghassan Ahmed Al-Khaled

Deputy Chief Executive Officer

Hussam Salem Abou Al-Loghod

Chief Financial Officer

Hazem Al-Sherif

Chief Operations Officer – Factories

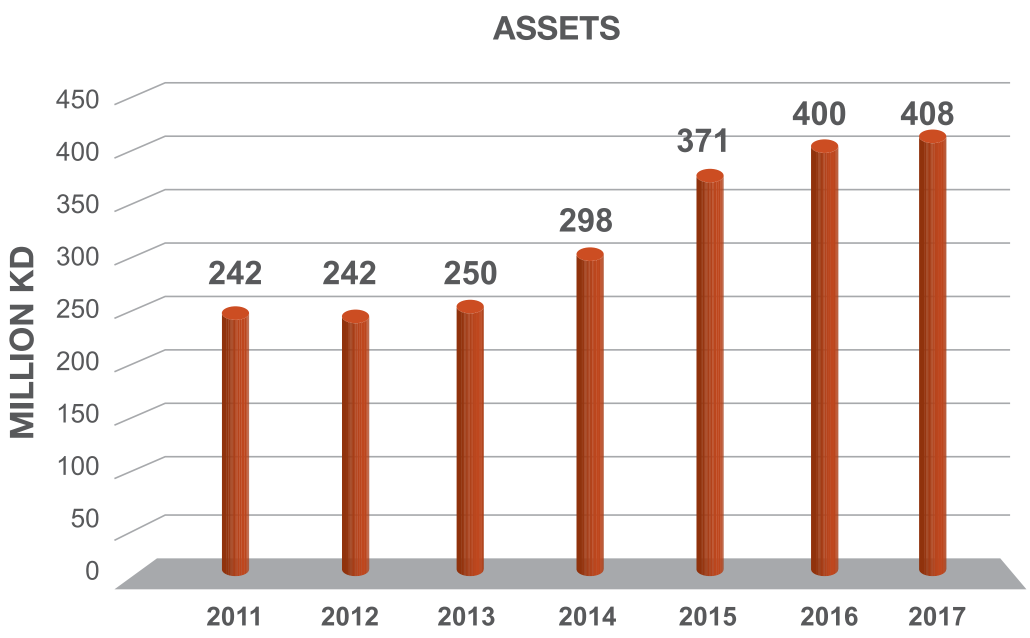
BOARD OF DIRECTORS REPORT

Financial Performance

ACICO Group has been able to challenge the difficulties and problems imposed by the geopolitical conditions surrounding the region and to preserve the interests of the shareholders and their aspirations towards the company in light of the political and economic conditions in the region as a whole, the effects of which continue to the present time, putting weight on different sectors and activities.

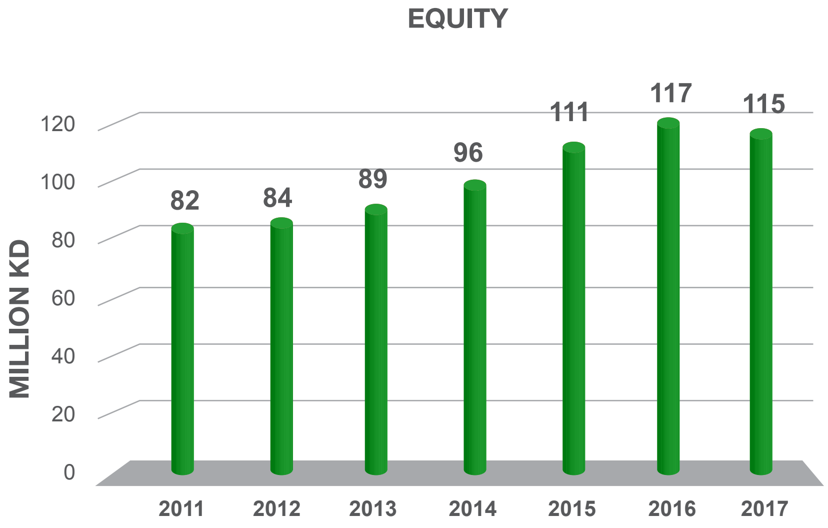
With the support of its shareholders, ACICO was able to elevate the performance of the company through prudent mapping of a strategy that was based on growth, expansion and diversity, cultivating assets by 69% to exceed by 2017's end KD 408 million after it was KD 242 million in 2011.

The following illustrates the growth in total assets between 2011 and 2017.



ACICO was able to maximize total shareholders' equity to reach KD 115 million by the end of 2017 from KD 82 million at the end of 2011.

The following illustrates the growth in total shareholder equity between 2011 and 2017.



The company distributed profits to shareholders in proportion to the volume of profits achieved for each year. Total dividends distributed during the last decade were KD 65 million (including dividends proposed for 2017). Dividends were divided between cash dividends totaling KD 46 million and bonus shares amounting to a total of KD 19 million.

As for the liabilities, ACICO has sought to maintain its reputation and good relations with financial institutions and banks. We thank them for their trust in us and their effective contribution to the financing of the company's strategy of growth and expansion. This confirms the solid financial fundamentals of the company and the confidence of the financial institutions in the business model, and their confidence in the company's management, history, operational assets and ability to meet their commitments, which has contributed to strengthening our cooperation. It is worth mentioning that the company has invested these funds primarily to strengthen its operational asset base.

We shall now begin to discuss the financial statement of the company for the year 2017 and compare the results to those from 2016 and review the highlights:

Assets

Total assets of the company increased by 1.8% to reach KD 407.7 million by end of 2017, compared to KD 400.4 million for the year 2016. One of the main reasons for this increase was investment in the expansion of the Company's main activities in light of the expected growth of contracts and projects to be implemented In Kuwait, where the groups' property, real estate and equipment increased in value by 4.1% during the year to reach KD 100.3 million at the end of 2017, compared to KD 96.2 million in the previous year. This expansion was accompanied by growth in operating assets to support industrial expansions during the year.

Liabilities

As for the company's liabilities, the company's liabilities amounted to KWD 292.2 million, maintaining the same levels of debt as compared to total assets at 72% compared to last year. These funds were mainly used to strengthen the company's operational asset base and finance its expansion strategy. The increase in the company's debt ratio confirms the confidence of the financial institutions in the ACICO business model, while the company maintained the level of interest coverage at levels higher than double that incurred, ensuring the sound financial basis and the company's ability to meet its future obligations.

Through its strategic plan over the coming years, the company also hopes to enhance the operational efficiency of its assets, maximize its performance, improve its cash flow and enhance its financial position while maximizing shareholder value.

Shareholder Equity

Total shareholders' equity decreased by 1.2% to reach KD 115.5 million at the end of 2017 compared to KD 116.9 in 2016. The book value of the company's shares was 350 fils. There was also no significant change in most of the shareholders' equity items, but the most significant changes in the capital item were the bonus shares distributed over the previous year and the change in certain reserves.

The company has also maximized its shareholders' equity over the years with the lowest costs. The company was funded by increasing its capital through shareholders in 2007. The company relies on retained earnings and external financing to finance the growth and expansion of the company's activities.

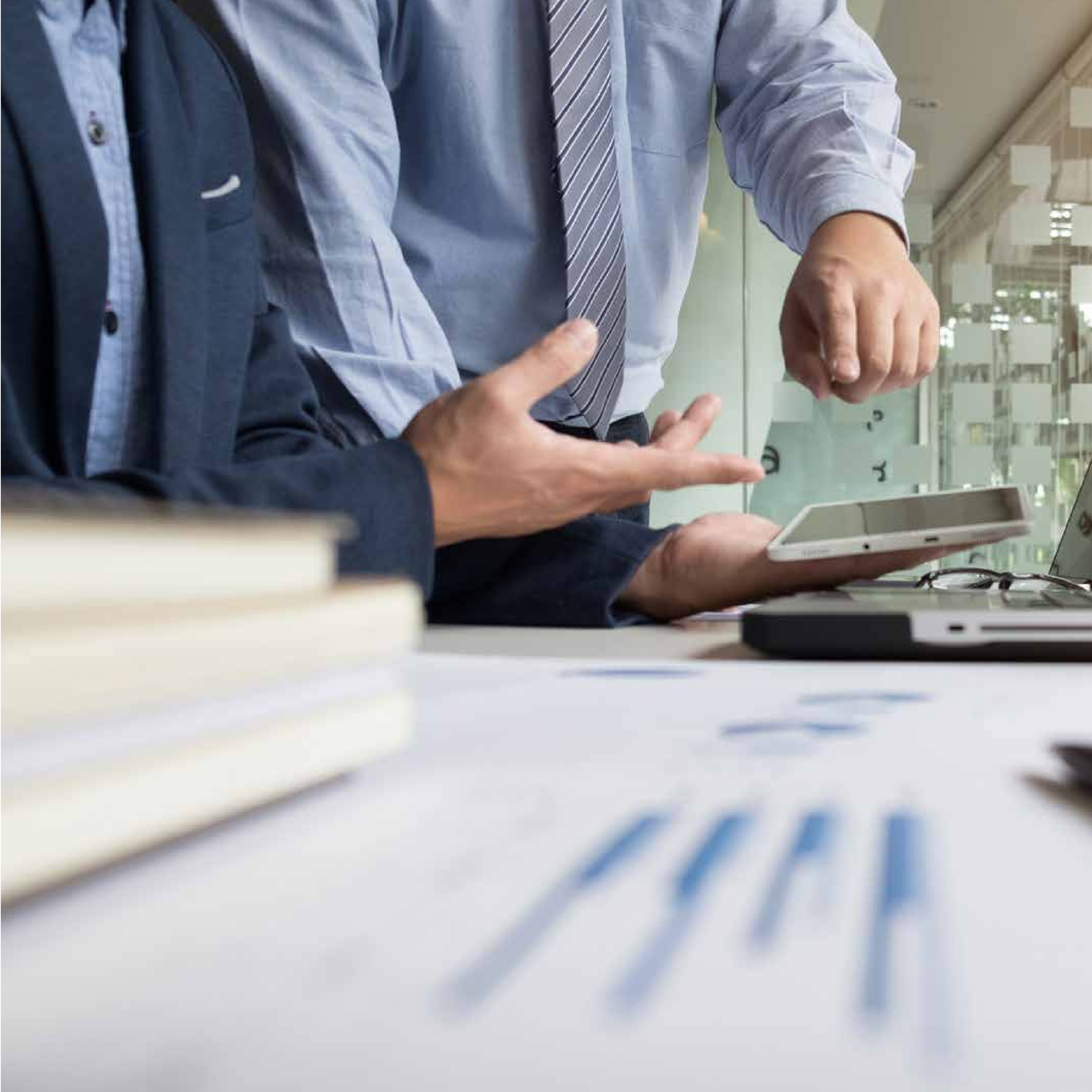
Revenues and Profits

ACICO maintained its total operating revenues during the year 2017 to reach KD 107.6 million compared to KD 98.5 million for the year 2016. It is expected that the company's operating revenues will improve in the light of the country's success in advancing the implementation of the development plan which was drawn up within the vision of HH The Amir of the State of Kuwait, and the continued success of both the Public Authority for Housing Welfare and the Ministry of Public Works in implementing and completing several projects that have been announced.

ACICO continued to achieve positive results in 2017 with net profit of KD 7.6 million compared to KD 9.3 million last year. Net profit for the year attributable to shareholders of the parent company was KD 5.1 million during the year 2017 compared to KD 7.2 million last year. We will not restrain ourselves to continue the path we have embarked upon for more than 25 years, making further growth in our future profits.

Accordingly, the earnings per share attributable to the shareholders of the parent company is 17.04 Kuwaiti fils for the year 2017. The Board of Directors has recommended the distribution of cash dividends to the shareholders for the results of 2017 of 10 fils per share, the distribution of bonus shares of 5 fils per share and a distribution of 5% of the shares owned by parent company of its subsidiary, ACICO Construction Company KSC (Closed), to the shareholders of the Parent Company.

We also undertake that the financial statements have been prepared in accordance with International Financial Reporting Standards and that they reflect fairly, in all material respects, the financial position of the Company as of 31 December 2017 and the results of its operations for the year then ended in accordance with International Accounting Standards.



ACICO

BUILDING ON SOLID FOUNDATIONS

ACICO OVERVIEW

ACICO for Industries Company KSC (Public) was established in 1990 as a Kuwaiti public shareholding company. It was the brainchild of its founders' vision to make a remarkable contribution to the development of the Kuwaiti society, play an outstanding role in building the country and support the national economy and have a major share in the construction boom in Kuwait. ACICO for Industries Company was eventually listed on the Kuwait Stock Exchange in 1997.

ACICO business developed rapidly as a Kuwaiti company that possesses considerable capabilities in the fields of construction, through its company activities and its subsidiary companies engineering, contracting, and the production of cement and building materials. Now in the third decade since its inception, the company has accumulated a long experience through the execution of a large number of outstanding projects in the State of Kuwait, United Arab Emirates and several neighboring countries, and enjoys a clear competitive advantage, creative capabilities, and an innovative spirit in business development, supported by a strong infrastructure and sophisticated modern technology that ensures its remaining ahead of other companies and the ability to provide a rich range of innovative, high-quality and environment-friendly innovative that compete favorably with similar class products in a competition-sensitive market and that enable it to continue to play a leading role within the sector through its application of a building system that has come to be known as the "ACICO Building System".

ACICO Group's activities expanded to the Kingdom of Saudi Arabia, United Arab Emirates and the State of Qatar as it successfully diversified its business into the industrial, cement, construction, real estate and hotels sectors.

ACICO and the Human Element

Realizing that our most important investment is in the human element, we continuously seek to retain and strengthen our human resources at the highest levels. In 2017, the Company re-structured and created a number of departments as part of its on-going efforts to improve the efficiency and effectiveness of the companies, maintain a high level of transparency and keeping abreast of the enterprise-wide growth witnessed by the Company in order to ensure that all sectors contribute effectively to the creation of a real added value. The main departments within this drive are the following:

Human Resources Department

ACICO realized a vision in order to develop the system with which the company operates and provide outstanding services to its employees. New departments have been created to improve the performance of the Group. Five activities have been developed for the HR Group and they are: Joint Services; Insurance and Internal Communication.

Joint Services

Joint Services relevant to all administrative personnel matters is focused on achievement in three major domains: namely the restructuring and application of joint services at the ACICO level, by integrating administrative affairs and processes into all operations.

Personnel Services were also centralized across the Company, thus contributing to cost savings and higher efficiency internal services.

As for drawing up personnel budgets, the process for allocation of resources for such budgets have been aligned with Company financing strategy. This leads to the improvement of the analysis and measurement tool as well as the possibility of assessing future prospects.

Medical & Life Insurance

This divisions was created in pursuit of the overall Company's best interest to secure the health and lives of its employees by providing them with insurance and awareness of safe and professional working methods that ensure the continuity of a safe working environment.

As such, ACICO is keen to apply the relevant labor laws regards health and life insurance in accordance with the labor laws in the private sector in each of the countries in which it operates.

ACICO provides its employees with occupational injury insurance and occupational ailments in all the countries in which they operate according to the labor laws of each country.

During 2017, ACICO employees working in the Kuwait territory were provided with Life Insurance coverage was added to compensate in the event of death by accident or illness. This insurance covers the company's employees in Kuwait. As for health insurance, it was renewed with the best insurance company in Kuwait, which gave the Group's employees in Kuwait the utmost coverage and benefits available in the Kuwaiti insurance market.

ACICO maintains provision of full medical insurance through all private medical providers for its staff in both the United Arab Emirates & The State of Qatar as part of their employment benefits as per the relevant laws in each country.

The same is applicable to employees in the Kingdom of Saudi Arabia as they are granted insurance to compensate for work injuries and occupational diseases in accordance with the Labor Law and Islamic Sharia Law.

Training

During the year, the Company trained a number of its staff, including administrative staff and engineers. The training programs also included administrative staff, managers and senior management.

The total number of training days was 310 days, of which 189 were training days for staff of Grade 11 or above, as well as 120 training days for people of Grade 10 or lower.

Cooperation with several training bodies, including the Kuwait Foundation for the Advancement of Science, the Kuwait Academy of Personnel and the Kuwait Industries Federation was upheld.

Internal Communication

In order to improve the efficiency of the communication activity and joint working practices across the Company, a division specializing in enhancing communication, dialogue and joint work between departments and employees to improve the efficiency of the joint operations of the Company. This is done through the establishment of mechanisms and policies for joint action and through workshops to enhance communication and cooperation between departments and employees, raising the work performance at the group level. This Internal Communication policy is based on the values of work adopted by the Company in 2017 which are integrity, loyalty, sincerity, transparency and excellence.

Health, Safety & Environment Department (HSE Department)

Within the framework of corporate keenness for the safety of employees, clients and the community at large, ACICO launched several initiatives aimed at improving operations in terms of safety, occupational health and the environment in order to achieve the "zero-incident" goal that the company is always striving to achieve. The following is a brief summary of these initiatives:

1- The publication of Occupational Safety and Health, Environment and Security Bulletin, which aims at the participation of all employees in terms of the safety, occupational health and environmentally conscience performance of the company, as well as the promotion of a safety culture through learning from accidents and the application of existing safety measures.

2- Apply active learning methods to avoid incidents (new or repetitive). The company launched the Accident Learning Initiative by collecting information on the mistakes made and challenging workplace practices and procedures, without blaming individuals for solitary errors.

3- Application of the work permit system which aims to ensure that all necessary procedures have been taken before, during and after completion of high risk work. A safe insulation system has been implemented to protect workers from hazardous energy or sudden operation of equipment and tools. Other safety measures related to the safety and environmental analysis of the work and safety of forklifts are under way.

4- Training of staff in occupational safety, health and environment. Twenty-five managers, engineers and employees of the Occupational Safety, Health and Safety Section received IOSH certification in addition to thirty-nine employees receiving training for work permits systems and safe insulation procedures.

5- The company is working to promote a culture of safe driving and road safety by monitoring the performance of drivers periodically and taking necessary action when needed. The company also provides a system of rewards for drivers committed to safety instructions to encourage them to continue safe performance. The company has applied the pre-trip inspection system for cars in order to ensure its validity to work on a daily basis. The workshop is notified of any faults or observations that may affect the safety of the road trip.

6- The company conducted a detailed study of the current situation of the security procedures and resulted in a detailed plan that identified the required monitoring equipment and required the use of an independent security team to control the movement of materials, equipment and people through the gates of the company's facilities.

The company is currently working on the development of a safety, occupational health & environment electronic website, providing it with modern features that enhance access to information and facilitate its communication to the personnel and warehouse departments and other relevant sections.

This modernization would enable the websites visitors to obtain data with ease and comfort.

ACICO OPERATING DIVISIONS

Throughout the past years, ACICO has been working to concentrate on its core competency, the Industrial Sector in general, as it is an industrial enterprise first and foremost. It thus began to strengthen its financial position and market share by establishing and investing in various sectors such as real estate, construction and hospitality to create an appropriate market for its products, capitalize on available market opportunities and diversify and spread risk across more than one sector. This trend and diversification of the company's asset portfolio has had the greatest impact in supporting its revenue growth and adding value to its shareholders. The following is a summary of the major operating segments of ACICO.

First: Industries Division

ACICO is home to a wide array of local and regional experience and knowledge in the industrial sector, founded upon the continually enhancing market requirements and products with world leading specifications and criteria. ACICO also has a number of operational factories that are responsible for the production of a wide range of integrated products specialized in building materials and construction, the most notable of which are:

- **Aerated Concrete:** ACICO began with producing aerated concrete in 1990. The company stood out in applying an innovative construction concept that came to be known as the "ACICO Building System". This made the company one of the pioneers of the aerated concrete industry. ACICO has one of the largest aerated concrete plants in the Middle East. Its plants are distributed across The State of Kuwait, The United Arab Emirates, The Kingdom of Saudi Arabia and The State of Qatar.

  The ACICO Building System has been successfully implemented in various types of construction; from schools, hospitals, police stations, villas, hotels, resorts, residential and industrial buildings. It has also been implemented in a number of government and private sector projects in Kuwait, and a number of high profile projects in Qatar, Dubai, the Kingdom of Saudi Arabia and The Sultanate of Oman.

- **Building Block (bricks):** ACICO began manufacture of aerated concrete building blocks, known regionally as ACICO Blocks, as the production of aerated concrete blocks has given the ACICO a range of competitive advantages compared to the traditional bricks, the most prominent of which are the blocks light weight, the reduction mass stresses on the building structure, sound and heat insulation, fire retardation and the easy manner in which the blocks can be re-shaped. It is also an eco-friendly product.

- **Cement:** The Cement Factory is one of the few factories that manufacture and produce cement locally. It has given ACICO a competitive advantage in the State of Kuwait and added value to the Company's activities as a whole. Since its inception in 2007, it has contributed to the urban and industrial development of the region. Various types of black cement, such as Ordinary Portland Cement (OPC) and Sulfate Resistant Cement (SRC), are produced in various types to meet the needs of the local market. The factory also produces white cement and GGBS (Ground Granulated) Blast-furnace Slag.

All types of cement produced are in accordance with Kuwaiti, American and British standards. The prefabricated concrete section is equipped with state-of-the-art technological laboratories for chemical and physical testing. These laboratories are staffed with specialized technicians responsible for monitoring and maintaining the quality of cement through continuous testing and analysis at all stages of the production cycle of ready-made concrete, from the acquisition of raw materials to the production of the final output.

- **Ready Mix Concrete:** ACICO is considered a major supplier of ready mix concrete in the State of Kuwait. ACICO, through one of its subsidiaries, has one of its largest industrial fleets of concrete mixers. This subsidiary has been set up and equipped with the latest technologies and is supervised by highly experienced engineers. It is managed by a professional management team to maintain the quality of ready-made concrete according to the highest local and international standards. This division has continually proved its ability to meet the requirements of all projects with different specifications, meet the delivery schedules, provide the appropriate technical services as well as meet the expectations and attain customer satisfaction, achievements that are evident through the growth of the divisions volume of contracts and revenues during the past years.

- **Interlocking Pavement Stones:** In line with the strategic ambitions of the Board of Directors to expand and integrate new items into the existing product line,ACICO established the interlocking pavement stones section in early 2015 through one of its industrial arms. This move adds a wide variety of interlocking pavement stones products in different shapes and colors to be used for multiple applications including paving home entrance ways, gardens and sidewalks. This product is manufactured as per Kuwaiti and international standards.

ACICO has installed a state of the art automated production line that is capable of manufacturing twenty-four different shapes of high quality interlocked stones with a wide array of choice colors and specifications as per the clients’ requirements, making this division the most recent of its kind in Kuwait.

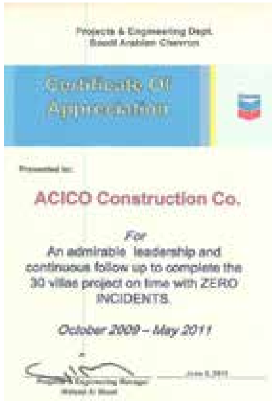
- **Precast Concrete:** ACICO always seeks to offer diversified and integrated products to the market in general and to its customers in particular, mainly in precast and pre-stressed concrete of various forms and products to integrate with its basket of other products offered by ACICO, and has started supplying the market with this product since mid-2014.

- **Reinforced Steel Rebar:** This division was established during 2015, and is driven by two major sections. The first is the Rebar Cutting & Bending, and the second is the Welded Wire Mesh, whose activities are summarized here:

The Reinforced Steel Rebar Expurgate & Shape Section: This section started production in the third quarter of 2015 and is fully automated. It is equipped with very accurate and highly productive modern equipment and machines. The section mainly forms the reinforcement and bends it in various forms upon request.

Welded Wire Mesh Section: This section started production during the fourth quarter of 2015 and mainly cuts and welds wire mesh used in the various building areas such as floors, walls, ceilings and others. The section cuts and forms welded wire mesh according to international specifications and standards, particularly BS 4483 used in floors, walls, stairs and others.

ACICO Product Certifications



Projects & Engineering Dept.
Saudi Arabian Chevron

Certificate Of Appreciation

Presented to:

ACICO Construction Co.

For
An admirable leadership and continuous follow up to complete the 30 villas project on time with ZERO INCIDENTS.

October 2009 – May 2011

Second: Real Estate Division

ACICO succeeded in achieving its strategic vision of developing the real estate sector at the local and regional levels through its real estate investment arms. ACICO worked on the execution of several real estate projects in several countries such as Kuwait, KSA and the UAE.

Main Real Estate Projects:

- Real Estate Projects in the KSA: The main project was Al-Asdaf Project, a real estate project at Khobar, where one of the real estate arms of the company purchased a 444,000 square meters plot of land for development and building an integrated residential city consisting of approximately 1,000 villas and the relevant public facilities for serving the city such as schools, marketing centers, mosques and other buildings, services and public facilities.

- Real Estate Projects in Kuwait: Through one of its real estate subsidiaries, the company executed several diversified projects such as villas, chalets and residential towers in several areas of Kuwait, foremost among which was Al-Waha Residential Compound at Fintas, the Jabriya Residential Compound, a set of chalets at Khairan, in addition to the execution of several villa construction projects in different areas such as Egaila, Mangaf, Ishbilya and others.

- Real Estate Projects in the UAE: The most important project was The Villa Project in Dubai Land, consisting of 10 villas. ACICO developed the plots and built thereon modern-style villas, then sold the project last decade. ACICO also built “ACICO Business Park Tower”, a commercial tower in Port Said area in Dubai, UAE. The building work was completed and the tower was operated in 2008 on a plot of land 60,000 square feet. It consists of 9 commercial floors. The company continues to own the tower which has been generating rewarding rental revenues.

Third: Hospitality Division

Aiming to realize the Company’s objectives of expanding and diversifying its assets portfolio and achieve a sustainable growth of future profits, ACICO started the building of a group of hotels with world-class standards in emirates of Dubai and Fujaira in the UAE, with a view to achieving an added value for the Company and the shareholders.

1. Nassima Towers – Dubai: Both Towers are located on Sheikh Zayed Street facing the Duba World Trade Center in the Emirate of Dubai. The first tower contains a hotel and the second hotel apartments.

2. Nassima Royal Hotel: This is a 5-Star Hotel which was launched in 2010. It consists of 51 floors and 471 rooms and suites. The Hotel has several associated facilities such as restaurants, health club and commercial outlets.

3. Nassima Royal Hotel Apartments: Classified as 5-star hotel, inaugurated during 2011, it is 45 floors, and contains 21 furnished apartments. The tower has 24 commercial floors which are fully leased. The hotel apartments, provided by ACICO in this tower, were designed to cater for the needs and desires of its GCC and Arab customers who wish to enjoy larger accommodation spaces for their families’ privacy, while maintaining the service level of a 5-star hotel.

4. Radisson Blu Resort – Fujairah: The resort is located on the coastal strip of Fujairah. It is a 4-star hotel which was opened in 2007 on a plot of 320,000 square feet and contains 257 rooms and suites. The hotel has a number of other facilities such as restaurants, a health club and commercial shops.

Fourth: Construction Division

ACICO owns several companies that are credentialed and accredited by various authorities. A number of them are classified by the Public Authority for Housing Welfare and others are classified by the Central Tenders Committee as a first-grade construction company. These companies provide multiple services such as project management and other integrated services that include the following key aspects:

- Project management.
- Constructions, both traditional and load bearing wall building systems (ACICO Building System).
- Maintenance works such as civil and electromechanical maintenance companies (electricity, sanitary and air-conditioning-HVAC).

During the past few years, these companies executed many projects for government authorities and entities, as well as the private sector. The executed products are diversified and include hotels (Palms Hotel, Kuwait, Nassima Royal Hotel, Dubai and Nassima Royal Hotel Apartments, Dubai), universities (mainly the American University in Dubai, Dubai), Investment residential and commercial towers (foremost among which is the Jabriya Tower, Kuwait and ACICO Business Park Tower, Dubai) as well as schools, villas, houses, chalets, mosques and others.


ACICO
Achievements by ACICO During the Last Decade
2007
Launching Radisson Blu Resort
Start of Production at the Cement Plant
2008
Launching ACICO Business Park Tower
2010
Launching Nassima Royal Hotel
2011
Launching Nassima Royal Hotel Apartment
2013
Acquisition of an industrial company in KSA
2014
Acquisition of an industrial company in Kuwait
2015
Acquisition of an industrial company in Kuwait
Acquisition of a real estate company in Kuwait
Launching of an interlock tile factory, a steel cut and bend plant at an industrial arm of the Group
2016
Expanding and doubling the production capacity of the cement plant
2017
Cement Products inclusion into the Government subsidized materials table

Regional Presence

Kuwait

1- Aerated Autoclaved Concrete Production Plant
Address: Shuaiba Industrial Area, Area 5, St. 100, Side St. 64

2- ACICO Industries Plant for Precast Buildings & Construction
Address: Suliabiya Industrial Area, 5th Ring Road, opposite cemetery

3- ACICO Construction Co. Plant (interlock stone production line, cement plant, aerated concrete plant)
Address: Shuaiba Industrial Area, Area 1, St. 100.

Kingdom of Saudi Arabia

ACICO United Production Plant
Address: Jubail Industrial Area, Eastern Province

Qatar

Aerated Autoclaved Concrete Production Plant
Address: Um Musaied Industrial Area, St. 702.

United Arab Emirates

ARABIAN ACICO Production Plant
Address: Jebel Ali Free Trade Zone, Jebel Ali

CORPORATE SOCIAL RESPONSIBILITY

As a leading industrial company, we believe in our role in serving our community, either by promoting environmental conservation by working or by empowering young generations with the knowledge and experience that will enable them to continue building their future based on our achievements today.

In execution of its corporate strategy, ACICO Industries repeatedly contributes to social responsibility initiatives and in community programs, activities and events in general. ACICO growing social responsibility undertakings during the past years has converted them into a basic performance indicator, especially that the company has found that social responsibility goes beyond simple volunteer work to aid the community, but rather a basic element of long term success through active charitable works.

ACICO has succeeded in blending economic development and social responsibility serving the growing needs and requirements of customers and the community at large in its pursuit of driving the national development cycle.

The social responsibility role the company undertakes towards its employees, in line with the belief that the operations' human capital is the most important element in achieving success and leadership in the market, all whilst seeking to continuously develop the capabilities of the staff, working to improve their performance, and providing a comfortable working environment to achieve the desired goal has led to the company retaining the services of its talented work force and has increased the number of Kuwaitis working in the company through the provision of suitable job opportunities, such that progress and improvement are continued through follow up permanent rigorous training.

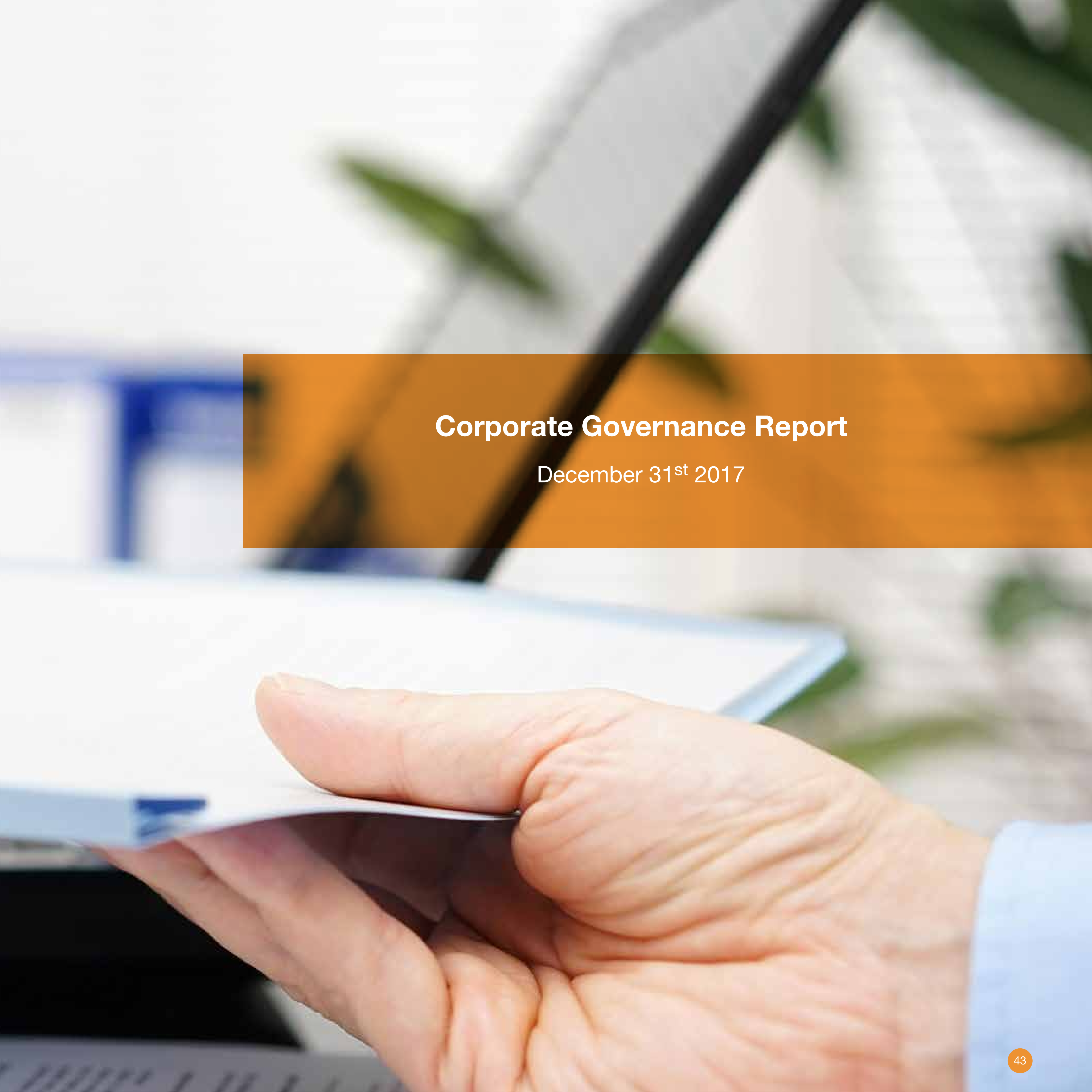
ACICO is keen to continue to support and sponsor the graduation ceremony of the Faculty of Engineering & Petroleum Studies at Kuwait University as an integral part its responsibility towards society and in adherence to its belief that science and young talents are two sides of the same coin. Eng. Ghosson Al Khaled – Deputy Chief Executive Officer of ACICO Group has also participated by giving the graduation keynote on several occasions.

ACICO has also played a significant role in adopting and sponsoring initiatives that are of interest, allocating a noteworthy sum of its leading social responsibility program to provide strategic sponsorship to a number of organizations and medical programs; that is in addition to the concentrated interest in raising health awareness regards key health issues.

On May 24th 2017, ACICO sponsored a forum at the Autism Partnership Center – Kuwait during which a review of the basics of effective treatment for young children with autism spectrum disorders and the importance of early diagnosis were discussed. Parents of autistic children were also given a free consultation with Dr. Ronald Lev, manager and co-founder of the Autism Partnership Center.

In light of our humanitarian and social duty towards Kuwaiti society, “Walk With Us to Raise Autism Awareness” is a function that was sponsored by ACICO on 9th -10th June 2017 in support of autism and families with autistic children working to improve their lives, to increase public awareness and knowledge about the importance of early diagnosis, rehabilitation and treatment. This function was co-organized with the Autism Partnership Center -Kuwait and included a walking activity before breakfast along with the presence of subject matter experts to disseminate awareness and children’s activities.

On October 24th 2017, a lecture on “Autism and its impact and the importance of early diagnosis to help with early rehabilitation and treatment of autistic children” was sponsored by ACICO, where Eng. Ghosson Al Khaled – the Deputy Chief Executive Officer of the ACICO Group gave the keynote sponsors speech at the event. Benefiting from this lecture were the parents of autistic children in addition to school administrators and teachers with special needs students, pediatricians, doctors, psychologists, social workers and individuals with knowledge and interests in autism. Parents of autistic children were also given a free consultation with Dr. Ronald Lev.



Corporate Governance Report

December 31st 2017

CONTENTS

7. Sixth Pillar: Promotion of professional behavior and ethical values

7.1 Code of Business Conduct

7.2 Limiting Conflict of Interest

8. Seventh Pillar: Accurate and Timely Disclosures and Transparency

8.1 Mechanisms of accurate, timely and transparent disclosures

8.2 The record of Board of Directors And Executive Management disclosures

8.3 Investor Relations Unit

8.4 Development of the Information Technology Infrastructure

9. Eighth Pillar: Respect of Shareholders' Rights

9.1 Identify and protect the general rights of shareholders

9.2 Establishment of a record of shareholders and having it held with a clearing agency

9.3 Encouragement of shareholders to participate and vote in the Assembly meetings of the company

10. Ninth Pillar: Realization of the role of stakeholder

10.1 Procedures and policies that ensure protection and recognition of the rights of stakeholders

10.2 Encourage stakeholders to participate in the follow-up of the company's various activities

11. Tenth Pillar: Performance enhancement and improvement

11.1 Mechanisms in place allowing the Board of Directors and Executive Management to receive continuous professional training

11.2 Evaluate the overall Board of Directors performance, and the performance of each member of the Board of Directors and Executive Management

11.3 Board of Directors efforts to instill corporate values in company employees

12. Eleventh Pillar: The importance of Corporate Social Responsibility

12.1 The Corporate Social Responsibility Policy

12.2 Programs and mechanisms used to highlight the company exertions in the social activity realm

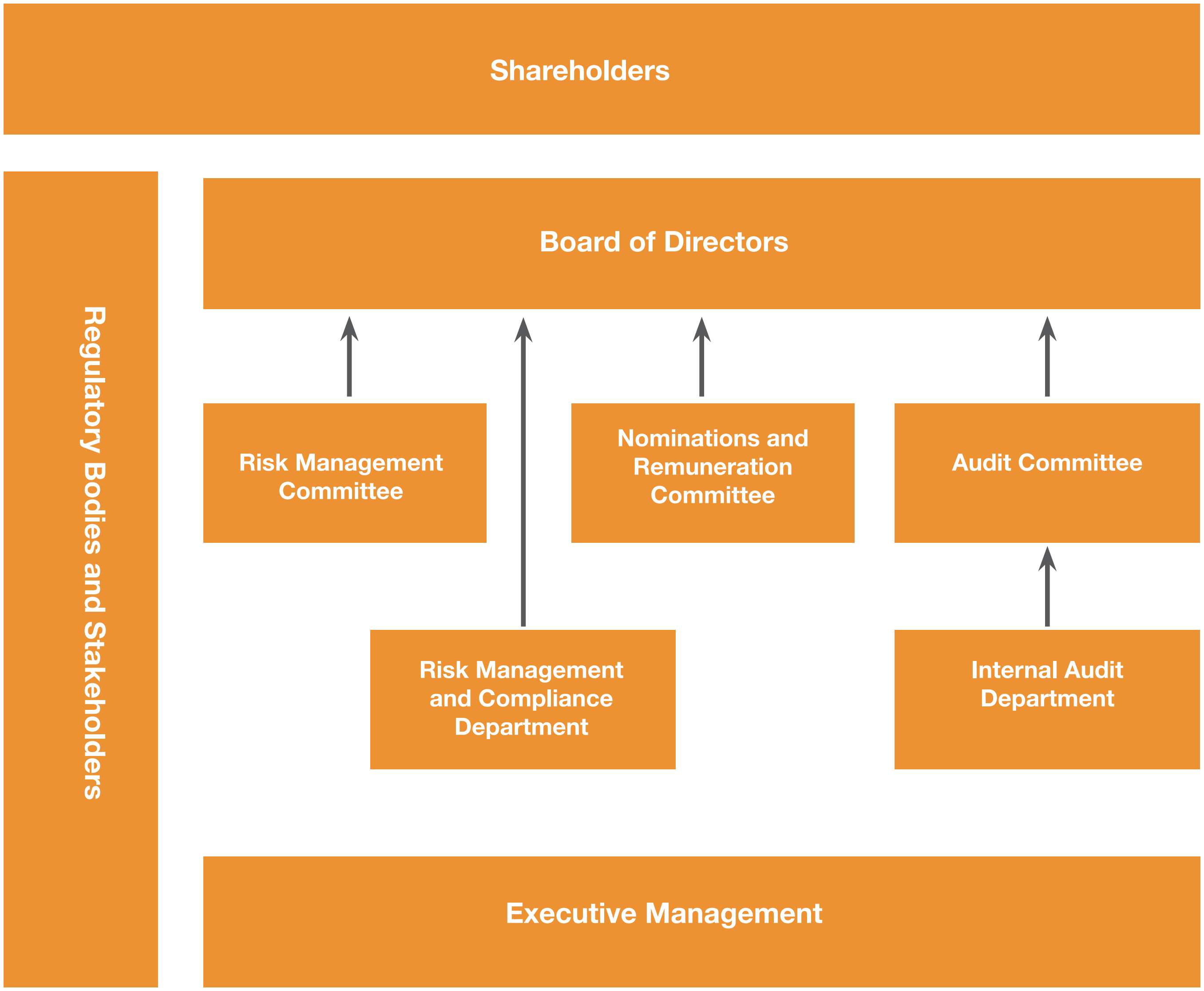
INTRODUCTION

Recognizing the importance of adherence to and the fundamental role that the rules of governance play along with their associated practices, with the belief that it is of the utmost significance that there is an appropriate and effective governance practice for the company, as it strengthens the confidence of shareholders, investors and all stakeholders through monitoring the performance of the Board of Directors committees, reviewing the cluster of published reports and following the rules and regulations on corporate governance issued by the Capital Markets Authority, ACICO Industries Co. is always keen to ensure compliance with all relevant laws and regulations, in particular all laws and instructions issued by the Capital Markets Authority and the Ministry of Commerce and Industry as well as the Kuwait Stock Exchange and other regulatory and regulatory bodies. The company is also keen to modernize internal regulations and policies in line with the legislative and regulatory developments and market demands that realize the interests of the company and its shareholders.

During 2017, ACICO Industries Co. promoted the principle of transparency and integrity through positive and constructive communication with all employees and departments of the company in order to reach the highest level of awareness and understanding of the requirements of governance and to make the framework of governance inherent within the company culture. The Board of Directors also plays an active role in the implementation of the governance framework through follow-up with all departments and the decisions issued by these departments whilst affirming sufficient awareness of all stakeholders, including but not limited to disclosures in accordance with the instructions of the Capital Markets Authority. This comes as the board of directors believes in the positive consequences to the company related to the necessity of communication with stakeholders.

The performance of the Board of Directors and its members has been evaluated through performance indicators in accordance with the governance framework. The Nomination and Remuneration Committee has been instrumental in developing the skills of the Board members in order to provide the best training programs for them.

The promotion of a culture of professional conduct and ethical values within the company is a cornerstone of execution of company activities. As such, the company gives ample attention to the need to verify the commitment of all employees of the company, whether board members, executive management, or employees to the policies, internal regulations, legal and regulatory requirements through adherence to the Code of Business Conduct, as well as mechanisms reducing conflicts of interest. Adherence to the code ensures the protection and recognition of the rights of stakeholders and encourages them to follow up the company’s various activities.


Shareholders
Regulatory Bodies and Stakeholders
Board of Directors
Risk Management Committee
Nominations and Remuneration Committee
Audit Committee
Risk Management and Compliance Department
Internal Audit Department
Executive Management

First Pillar:
Board of Directors balanced composition

Formation of the Board of Directors

The composition of the board is structured according to the nature and activity of the company, taking into account that the majority of the board members are non-executive. The Board also has enough members to suit the number of committees emanating from it. The board committees are: Nominations and Remuneration; Audit and Risk Management. Each of the committees has its own code of practice and procedures that determine their scope of work, powers, responsibilities and duties. The board has six members that are elected during the general assembly of the company for a three-year term. Generally, the composition of the board is characterized by a diversity of experience, qualifications and knowledge in the sector in which the company operates, including knowledge of legal aspects, governance, internal control, risk management, financial and economic management, and strategic planning.

The table below highlights the qualifications and the working experience for the board members and the dates of their election to the board.

Name	Designation (Executive, Non-Executive, Independent, Gen Sec)	Academic Qualification and Work Experience	Date of Election/ Appointment (Gen Sec)
Abdul Aziz Ahmed Al-Ayyoub	Chairman of the Board	1. Bachelors of Electrical engineering from the University of New Mexico – U.S.A. 2. CEO of ZAIN (previous)	29/5/2016
Ghassan Ahmad Al-Khaled	Vice Chairman and CEO	1. Vice Chairman of the Board of Directors of the National Bank of Kuwait - Kuwait 2. Masters of Civil Engineering from the University of West Virginia – U.S.A.	29/5/2016
Ahmed Ghassan Al-Khaled	Non-Exec. Board Member	1. Bachelors of Civil Engineering from the George Washington University – U.S.A. 2. Masters of Engineering Management from the George Washington University – U.S.A. 3. Masters of Business Administration from Thunderbird University Arizona – U.S.A. 4. Thirteen-year experience in the field of construction	29/5/2016

Ahmad Faisal Sayed Al-Refaie	Non-Exec. Board Member	1. Bachelors of Business Administration from the State University of California – Dominguez Hills – U.S.A. 2. Twenty five-year experience in the fields of industry, real estate, investment, and banking.	29/5/2016
Faten Farouq Al-Naqeeb	Non-Exec. Board Member	1. Bachelors of Law – Kuwait University 2. Masters of Law – Cambridge University 3. International Trade Legal Consultant	29/5/2016
Basel Abdullah Al-Nafisi	Independent Board Member	1. Bachelors of Business Administration from the American University -Washington D.C. – U.S.A. 2. Board Member of a listed real estate company	29/5/2016
Moataz Taher Al Gazar	Board Gen. Sec.	1. Bachelors of Law – University of Algiers 2. Certified Corporate Governance Officer CCGO	1/6/2016

Board Members Meetings during FY2017

Meeting No.	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7	No. 8	Total
Date Board of Directors. Member Name and Designation	9/1/2017	10/1/2017	16/2/2017	2/5/2017	25/7/2017	26/7/2017	6/11/2017	13/11/2017	
Abdul Aziz Ahmed Al-Ayyoub - Chairman of the Board	✓	✓	✓	✓	x	x	✓	✓	5
Ghassan Ahmad Al Khaled -Vice Chairman and CEO	✓	✓	✓	✓	✓	✓	✓	✓	7
Basel Mishari Al Nafisi - Independent Board Member	✓	✓	x	✓	✓	✓	✓	✓	6
Ahmad Ghassan Al Khaled - Non-Exec. Board Member	✓	✓	✓	✓	✓	✓	✓	✓	7
Faten Farouq Najm El Din Al-Naqeeb - Non-Exec. Board Member	✓	✓	x	✓	✓	✓	✓	✓	6
Ahmad Faisal Sayed Al Rifaei - Non-Exec. Board Member	✓	✓	✓	✓	✓	✓	✓	✓	7

Recording, referencing and archiving of Board of Directors minutes

The General Secretary of the Board of Directors was appointed on 1/6/20167 and was entrusted with the task of preserving and coordinating the minutes of meetings of the Board of Directors through a functional description approved by the Board of Directors. The General Secretary of the Board of Directors has established a special record in which the minutes of the board meetings are recorded in consecutive numbers for the year in which the meeting was held, indicating location, date, attesting that he prepared minutes of discussions and deliberations, including voting, and files are saved electronically for easy reference.

Pillar Two
Correct Allocation of Tasks and Responsibilities

Board of Directors Members and Executive Management Team Tasks, Responsibilities and Duties as well as the authority and powers delegated to the Executive Management

ACICO Industries Co. has a clear separation of powers between the Board of Directors and the Executive Management in a manner that ensures full independence so that the Board of Directors can discharge its responsibilities in full in accordance with the instructions of the Capital Market Authority and the Companies Law No. 1/2016.

The Company has clearly defined the functions and responsibilities of the Board of Directors and Executive Management in the approved policies, regulations and job descriptions reflecting the balance of powers and the separation of powers between the Board of Directors and the Executive Management.

Board of Directors Achievements during 2017:

- **First: Increased efficiency and expansion of operational activities**
  - √ The Group has completed the expansion of the cement production line to keep pace with the new projects as it seeks to increase its market share and take advantage of the opportunities available in the market. This decision came after witnessing the sales growth in the cement sector and the factory's production at its maximum capacity. ACICO cement materials have been approved as State-subsidized products to be provided to citizens to build private housing, which constitutes a new addition to our products through the confidence in said products and the increase in market share.
  - √ Throughout the past decade ACICO Industries Co. was able to continually achieve year-on-year profits. In 2017, it achieved a net profit attributable to the shareholders of the parent company of KD 5.130 million compared to last year 2016, which amounted to KD 7.238 million.
- **Second: Corporate Governance**
  - √ The culture of governance is a part the company's culture that exists at all levels and throughout practices of all its employees, in order to activate and apply the best standards in the field of governance and compliance with its instructions and guidelines as issued by the Capital Market Authority regarding governance, and through follow-up with developments regarding governance and other decisions issued by the Capital Market Authority, especially during this past year that was witness to several changes to the articles of the Executive Regulations and the new segmentation of stock exchange (Boursa Kuwait) and the new instructions regarding the listing, which constituted a new challenge for the company's requirements to follow up and adhere.
  - √ Governance is a set of policies, procedures and good practices that can guide, manage and control the tasks and activities within the company as well as generate a set of reports that help in taking the appropriate decisions to ensure the consolidation of the principles of transparency and justice and to achieve the objectives of the company and stakeholders, reflecting positively on the company operations.
  - √ ACICO has put in place criteria and components for activating channels of communication and disclosure with shareholders,

investors and stakeholders to be in constant contact with the company’s developments in a neutral, transparent and fair manner. The company also established effective mechanisms to ensure the protection of the rights of stakeholders (shareholders, customers, employees, etc.) and to ensure impartiality and integrity in decision making and allocation of functions within the board to improve oversight role and reduce possible conflicts of interest.

- **Third: Future Plans**

  √ After the Company has developed its assets and is now able to stand on a firm foundation of operating assets and human resources that would enable it to reap sustainable returns, particularly in terms of seizing opportunities and benefiting from planned projects and global events, such as the development projects listed with the Kuwait Vision 2035 strategic plan, involving an array of infra-structure projects, oil sector projects and other major projects in Kuwait, as well as the regional developments and associated projects floated in Dubai and Qatar.

- **Fourth: Human Capital Investment and Equality amongst the genders**

  √ The human capital is one of the most important investments that we seek to strengthen and maintain at the highest levels. In 2017, the Group managed to structure and develop a range of departments in order to increase the efficiency and effectiveness of the Group companies, maintain a high degree of transparency and to keep up with the growth at the Group level, and to ensure the contribution of all sectors to the added value, where best management practices have been established in order to achieve the best results.

Formation of Board of Directors. Committees

Board of Directors

Audit Committee

Committee Members

- Eng. Ahmad Ghassan Ahmad Al Khaled (Committee Head)
- Mr. Ahmad Faisal Sayed Abdelwahab Al Rifaei
- Mr. Basel Abdullah Mishari Al Nafisi

Nominations and Remuneration Committee

Committee Members

- Mr. Abdulaziz Ahmad Abdullah Al-Ayoub (Committee Head)
- Mr. Ghassan Ahmad Saoud Al Khaled
- Mr. Ahmad Ghassan Ahmad Al Khaled
- Mr. Basel Abdullah Mishari Al Nafisi

Risk Management Committee

Committee Members

- Eng. Ahmad Ghassan Ahmad Al Khaled (Committee Head)
- Mr. Ghassan Ahmad Saoud Al Khaled
- Mr. Ahmad Faisal Sayed Adbelwahab Al Rifaei

Audit Committee

The audit committee was formed on 30/6/2016 for a term of three years as a commitment by the Board of Directors to supervise the quality and safety of accounting practices, auditing and internal controls. The committee members are board members of ACICO Industries Co. as per Vol. 15 of the Executive Regulations of the Capital Markets Authority Law No. 7/2010 to assist the board in performing its supervisory obligations with respect to the following: quality and integrity of the accounting practices; auditing and internal controls; framework of the Internal Audit Department, the issue of accurate and timely financial reports; the general governance framework of the Company; in addition to follow up with the workings of the external financial auditors.

Number of meetings the committee held during 2017	
Meeting Reference No.	Date of the Meeting
1/2017	10/1/2017
2/2017	1/2/2017
3/2017	6/2/2017
4/2017	26/3/2017
5/2017	2/5/2017
6/2017	3/7/2017
7/2017	25/7/2017
8/2017	12/10/2017
9/2017	13/11/2017
10/2017	28/12/2017

Committee Duties and Achievements during 2017

1. Review the Internal Audit Department work plan.
2. Periodic meetings with the Director of the Audit Department to discuss internal audit reports.
3. Assigning an independent auditing office to prepare a report that includes the adequacy of internal control systems applied within the company
4. Review quarterly and annual financial statements and recommend to the Board of Directors for approval.
5. Evaluating the independence and neutrality of the external auditor and recommending the appointment of the auditor.
6. A report has been prepared with respect to the committee’s work, findings, and decisions; the report has been submitted to the Board of Directors.
7. The work of the Audit Committee was self-assessed to determine the level of performance and to assess the effectiveness of the committee.
8. Evaluation of the performance of the Director of the Internal Audit Department and the Internal Audit Department at large.

Risk Management Committee

This committee was formed on 30/6/2016 for a term of three years. The Risk Management Committee plays an active role in the discussion and follow-up of periodic risk management reports. The committee reviews the company's risk register, all reports and incident reports. The Risk Management Committee reviews policies on all matters related to risk and follows up and supervises the overall risk framework of the company.

Number of meetings the committee held during 2017	
Meeting Reference No.	Date of the Meeting
1/2017	14/3/2017
2/2017	3/5/2017
3/2017	5/6/2017
4/2017	22/10/2017
1/2018	10/1/2018

Committee Duties and Achievements during 2017

The Risk Management Committee presented several effective recommendations during 2017 in order to consolidate the corporate governance framework, including but not limited to the following:

1. Recommend the adoption of risk management strategy.
2. Recommend the adoption of the Special Update of the Risk Management Framework.
3. Discuss the Risk Management Report of ACICO Industries.
4. Discuss the Risk Management Report on Value Added Tax (VAT)
5. Discuss the risk management report of some subsidiaries
6. Evaluate the performance of the Risk Manager.
7. Review the adequacy of risk management personnel and the adequacy of human resources with respect to risk management
8. Self-assessment of the performance of the Risk Management Committee to determine performance and assess the effectiveness of the committee.
9. Prepare a report on the results and decisions reached and submit the report to the Board of Directors.

Nomination and Remuneration Committee

The availability of professional expertise and technical capacity in the board of directors or executive management of the company is one of the main pillars of the financial safety for the company and an important element to prevent the risks that the company may be exposed to. This committee was keen to provide the necessary training programs for members of the board to enhance their expertise and capabilities.

The Committee works on recommendations for the appointment and re-election of members to the Board of Directors in the General Assembly, in addition to the evaluation of standing members, all in order to achieve the company's long-term strategy.

The Nomination and Remuneration Committee shall consist of four members, one of whom shall be an independent board member and its chairman shall be a non-executive board member.

The Nomination and Remuneration Committee shall hold periodic meetings, at least once during the year, and whenever necessary, the Secretary shall record the minutes of its meetings.

Number of meetings the committee held during 2017	
Meeting Reference No.	Date of the Meeting
1/2017	15/1/2017
2/2017	15/6/2017
1/2018	10/1/2018

Committee Duties and Achievements during 2017

The Nomination and Remuneration Committee presented several effective recommendations during 2017 in order to consolidate the corporate governance framework, including but not limited to the following:

1. Recommend the adoption of training programs for members of the Board of Directors.
2. The bonus parcels of the executive management were reviewed and recommended for approval by the Board of Directors.
3. The performance of the Board of Directors as a whole and the performance of each member of the Board were assessed by the Nomination and Remuneration Committee.
4. A self-evaluation of the performance of the Nomination and Remuneration Committee was carried out to determine the level of performance and assess the effectiveness of the Committee.
5. A report has been prepared on the committee's work, findings and decisions; the report has been submitted to the Board of Directors.
6. The annual corporate governance report was reviewed and approved by the committee to ensure that all remuneration and benefits of Board members and Executive Management were disclosed.

Mechanisms allowing board members to obtain accurate and timely information and data

ACICO Industries Co. pays great attention to ensure the provision of all information and data necessary for the Board of Directors to perform its functions to the fullest, where the company developed the information security system (with special attention to the document preservation system) and both the General Secretary of the Board and the Chief Executive Officer have to access the information security system as the availability of information in timely and accurate manner are key elements to help the board make necessary decisions.

The CEO is the link between the Board of Directors, the Executive Management and all employees to ensure that information and data are provided in a complete and accurate manner.

Pillar Three
Choice of Competent persons to become members of the Board of Directors and Executive Management

Formation of the Nominations and Remuneration Committee

In addition to the supplement that has been made to the Second Pillar regards the Nominations and Remuneration Committee, it must be noted that the committee is upholding the directives of the regulatory authorities in terms of continuous training of the members of the Board of Directors as the availability of professional expertise and technical capabilities helps to better achieve the company's goals. The Committee also provides recommendations for the election or re-election of members to the Board of Directors during the General Assembly, in addition to the annual self-evaluation of the performance of the members of the Board of Directors. The Committee is also responsible for evaluating the remuneration of the members of the Board of Directors and Executive Management in accordance with the company's long-term strategic objectives.

The committee regulations specify the nominations, rewards and all conditions and requirements for the formation of the Committee in accordance with the rules of governance issued by the Capital Market Authority in terms of membership conditions, duration of membership and all other requirements.

Board of Directors and Executive Management Compensation Report

First: The rules for Board of Directors and Executive Management Rewards and Incentives

The remuneration framework is based on the principle of equal opportunity and transparency, and is based on the linkage of rewards and incentives to performance levels at the corporate level as well as to individual performance. ACICO Industries is keen to adopt pioneering practices in linking bonuses to performance levels.

Second: Details of the bonuses awarded to members of the Board of Directors and Executive Management in terms of amounts, benefits and privileges and an analysis of rewards portions.

Rewards recommended for members of the Board of Directors

Fixed rewards (in KD)	Varying Rewards (in KD)	Annual total rewards and privileges (in KD)
45	-	45

Third: The Value of the Rewards

Awarded to the Chief Executive Officer and the Executive Management whom have received the largest amounts from the company, with the addition of the Financial Director.

Fixed rewards (in KD)	Varying Rewards (in KD)	Annual total rewards and privileges (in KD)
238,415	80	318,415

Fourth: Any other rewards remunerated directly or indirectly from the company or from its subsidiaries

Fixed rewards (in KD)	Varying Rewards (in KD)	Annual total rewards and privileges (in KD)
39,660	-	39,660

Fifth: Any fundamental deviations from the approved remuneration policy approved by the Board of Directors.

There are no fundamental deviations from the approved remuneration policy approved by the Board of Directors.

Pillar Four
Integrity of the Financial Reports

Board of Directors and Executive Management written pledges regarding the surety and integrity of the financial reporting

The Board of Directors is committed to guarantee the integrity of the financial reporting activities, as such the Executive Management pledges to the Board of Directors, in writing, that the financial reports are presented fairly and equitably, and that it reviews all the financial facets of the company in accordance with the International Accounting Standards adopted by the Capital Markets Authority. The Board of Directors also undertakes to ensure the surety and integrity of the financial statements through the annual report submitted to shareholders in order to enhance the accountability process, whether the management is accountable to the Board of Directors or the Board of Directors is accountable to shareholders.

Formation of an Audit Committee

The Board of Directors has formed an Audit Committee which consists of members from the board of directors of the company. The committee is responsible for assisting the board in performing its supervisory obligations with respect to the following: quality and integrity of the accounting practices; auditing and internal controls; framework of the Internal Audit Department, the issue of accurate and timely financial reports; the general governance framework of the Company; in addition to follow up with the workings of the external financial auditors. In compliance with everything issued by the Capital Market Authority and the regulatory bodies.

The regulations of the Audit Committee shall specify all the terms and conditions of the formation of the Committee in accordance with the rules of governance issued by the Capital Market Authority in addition to its responsibilities.

Mechanisms in place for the event of conflict between Audit Committee recommendations and Board of Directors decisions

The Board of Directors of the Company has established special mechanisms and procedures to be followed in the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors in application of the highest transparency standards, where reference is made to the committee's recommendations as well as the reasons why the Board of Directors has not acted upon these recommendations. A statement detailing and explaining the recommendations and the reason or reasons behind the Board's decision to derogate from them shall also be included.

It must be noted that till now, there has been no conflict between Audit Committee recommendations and board of directors' decisions.

Independence and neutrality of external financial auditor

The Board of Directors has devoted considerable attention to reducing conflict of interest incidents by authorizing the Audit Committee to ensure the independence and impartiality of the External Auditor. The Committee has therefore established standards and principles for evaluating the independence of the External Auditor so that the Audit Committee may recommend the appointment or reappointment of the Auditor.

Pillar Five
Placement of sound mechanisms for risk management and internal oversight

Formation of an independent Risk Management Department

As per the Board of Directors approved corporate structure, ACICO Industries Co. has an independent Risk Management Department. The Risk Management Department is continually seeking to implement a sound risk management strategy and policy, in addition to following up with all kinds of risks facing the company as follows (to name but a few):

- Develop effective systems and procedures for risk management so that the group is able to perform its main tasks of measuring and monitoring all types of risks to which it is subjected. This process is carried out continuously, periodically reviewed and the systems and procedures are amended as needed.
- Develop a periodic reporting system, as it is an important tool in the risk monitoring process and leads to reductions in risk.

Risk managers are independent from their direct subordination to the Board of Directors, and act with a high degree of authority, in order to carry out their tasks to the fullest and to qualify them to perform their assigned role.

Formation of the Risk Management Committee

This committee was formed on 30/6/2016 for a term of three years. The Risk Management Committee plays an active role in the discussion and follow-up of periodic risk management reports. The Risk Committee reviews policies on all matters related to risk and follows up and supervises the overall risk framework of the company. The table of the Board of Directors' committees as it appears in Pillar Two previously describes the committee's achievements during 2017.

Internal Oversight and Control Mechanisms

Internal oversight is an overall comprehensive mechanism for both administrative and accounting control and internal regulations. Thus, it is set of processes and work procedures that are followed within the company to achieve the specific objectives of increasing productivity and to confirm the adoption of approved administrative policies.

Internal oversight improves the integrity and accuracy of financial statements as well as protects corporate assets and stakeholder rights. Accurate information from internal oversight contributes to better management decisions. The board oversees and ensures the proper application of internal oversight and risk management systems through the Audit Committee.

The board must also ensure through the relevant committees that the Internal Audit and the Risk Management departments are functioning appropriately and independently in accordance with the relevant regulatory requirements. The Audit Committee of the Board of Directors is responsible for assisting the board in overseeing the quality and integrity of the accounting, auditing, internal oversight and financial reporting practices of the company as well as the company's relationship with external auditors.

The Audit Committee supervises the preparation of the Internal Controls Report (ICR) that is prepared by an independent entity and evaluates the sufficiency of the internal oversight mechanisms implemented within the company, in addition to preparing a report containing the Committee's opinion and recommendations in this regard, including the protection of information, accounting controls, financial controls and a risk management control system.

Formation of an independent department for Internal Audits

Adhering to all that is issued by the Capital Markets Authority and other regulatory bodies, ACICO Industries Co. formed an Internal Auditing Department that has complete technical independence to the Audit Committee and as such, from the Board of Directors. The board of directors has decided on the duties and responsibilities of the Internal Audit Department.

Pillar Six
Promotion of professional behavior and ethical values

Code of Business Conduct

The principles and work ethics of the Code of Business Conduct are intended to guide the Board and Executive Management to make the right decisions. Compliance with the Code of Business Conduct is also the responsibility of every employee of the company. Through these values and principles, the company has a positive impact in the sector in which the company operates, and in the communities in which they operate, and this will help build an institution that is a source of pride to all parties.

Limiting Conflict of Interest

The Company is committed to reducing potential conflicts of interest, and current policies ensure appropriate and effective procedures and measures to identify and monitor any conflicts of interest.

These policies also include the board’s proper handling of actual or potential conflicts of interest, and that all decisions are taken to the best interests of the Company.

The board shall take all reasonable measures to identify, prevent or manage conflicts of interest that may harm the Company. The Board of Directors shall always act in the interest of the Company and not the interests of any particular group or entity.

The members of the Board of Directors shall also immediately disclose to the Head of the Audit Committee and / or the Chairman of the Board of Directors any incident that involves or is reasonably expected to involve a conflict of interest.

The Company also expects its employees to avoid any personal activities and any financial or non-financial interests that may interfere with their obligation to perform their functions effectively.

Pillar Seven
Accurate and Timely Disclosures and Transparency

Mechanisms of accurate, timely and transparent disclosures

The company follows the disclosure and transparency policies and procedures. It adopts a disclosure matrix that covers all data that must be disclosed to the Capital Markets Authority and other stakeholders. The company website offers a clear and easy access to all the stakeholders of the company, as well as shareholders and the general public to obtain full and accurate information that is also disclosed. Disclosure segments include the following:

- Disclosure of fundamental information
- Disclosure of the largest portions of shares held – 5% or more
- Disclosure of interests
- Disclosure of the list of those with access to information and its updates

The record of Board of Directors and Executive Management disclosures

ACICO Industries Co. has prepared a record that includes all the information contained in the disclosures received, including the disclosures of the members of the Board of Directors and the Executive Management. The register shall also be amended according to the disclosures received. Any of the shareholders of the Company may inspect this register during official business hours without any charge or fee. The company's official website contains a record of all the company's disclosures to the stock exchange, dating back five years.

Investors Relations Unit

Continuous communication with shareholders is a strategic priority for the company. The company's management provides continuous support to shareholders by providing qualified staff to manage shareholder relations and respond to inquiries regarding the development of the company's business, shareholders' accounts and records by phone, e-mail or field visits. The company has developed its website and relies heavily on it to facilitate all forms of disclosure.

The company always strives to improve the effectiveness of communication with shareholders, stakeholders and the community in general, in order to disseminate correct company related information and develop its operations as the company management holds a deep belief in the importance of accurate and systematic disclosures, which will be reflected in the understanding and fair evaluation of the company.

Development of the Information Technology Infrastructure

2017 witnessed the development of the company's website, which now offers all the latest information and data to help shareholders, current and potential investors to exercise their rights to evaluate the performance of the company, in addition to updating and developing the company's disclosure records on the website continuously in pursuit of maintaining constant communication with the largest number of shareholders, investors and stakeholders.

Pillar Eight
Respect of Shareholders' Rights

Identify and protect the general rights of shareholders

The guarantee of shareholders' equity is one of the most important requirements stipulated in the Corporate Governance Rules as well as the Companies Law. The company is committed to protecting the rights of its shareholders in a manner that ensures the interests of the shareholders and the company. In order to comply with the highest standards of transparency and equity in all current or potential transactions of shareholders, the company established a policy in 2016 to identify and protect shareholders rights as per the company articles of association that clearly include the procedures and regulations to ensure that all shareholders exercise their rights in a manner not inconsistent with the laws and regulations in force and the decisions and instructions issued in this regard in order to achieve justice and equality.

The company seeks to continuously follow up on all shareholder statements. It has established and set up a special register to be kept at a clearing house, in which the names of the shareholders, their nationality, their places of residency and the number of shares owned by them shall be recorded. Any changes in the data recorded shall be marked and registered in accordance with the company or clearing agency upon receipt of data and any interested party may request the company or clearing agency to provide him with data from this record.

Encouragement of shareholders to participate and vote in the Assembly meetings of the company

The company is keen to invite all shareholders to attend the General Assembly meetings and contribute to decision making through all channels of advertising, including the website of Kuwait Stock Exchange, the company's website and daily newspapers. This is an obligation the company undertakes to ensure that all shareholders exercise their rights fairly without any violation of those rights. The articles of association also stipulate that each shareholder, regardless of the number of shares, has the right to attend and vote in the General Assembly.

ACICO Industries has policies and procedures approved by the Board of Directors, in line with all regulatory requirements, which include, in particular, the mechanism of participation in the General Assembly meetings of shareholders and the procedures of holding the assembly meetings.

For the voting mechanisms, ACICO Industries has established approved Board of Directors' mechanisms in line with all regulatory requirements to ensure that all shareholders have the right to vote without any impediment to the voter. Voting is an inherent right of the shareholder and cannot be canceled in any way.

Pillar Nine
Realization of the role of stakeholder

Procedures and policies that ensure protection and recognition of the rights of stakeholders

As part of the obligation to recognize and protect the rights of stakeholders, the company has prepared a stakeholder protection policy, which is designed to ensure that the rights of stakeholders are respected and protected in accordance with the laws and instructions issued by the relevant regulatory authorities.

The aim of the stakeholders' rights policy is to ensure that the rights of stakeholders are respected and protected by the relevant laws and inherent regulations within the company. The company also protects the rights of stakeholders through providing stability and functional sustainability through its good financial performance. Parties that may be considered as stakeholders in the company have also been identified through this policy and the basic guiding principles on how to protect their rights are included.

- Mechanisms for compensating stakeholders in the event of violation of their rights, which are recognized by the regulations and protected by contracts.
- Mechanisms for resolving complaints or disputes that may arise between stakeholders
- Adopting effective policies and following up their application within the company.
- Compliance with laws, regulations and instructions.

Encourage stakeholders to participate in the follow-up of the company's various activities

The Company guarantees the protection of the rights of stakeholders by ensuring the following:

- Deal with all stakeholders in a fair manner and ensure that members of the Board of Directors, relevant parties and stakeholders are treated fairly and without discrimination.
- Allow stakeholders to access information and data related to their activities so that they can obtain and refer to such information quickly and regularly.
- The Company has updated its whistleblower policy, which sets out the procedures and guidelines for notifying the competent authorities of any misconduct or wrongdoing within the company until the necessary corrective action is taken in a timely manner. This policy reflects the company's commitment to standards of professional and ethical conduct by helping to create an enabling environment. Company employees, executive management members and the board of directors can express any concerns regarding improper conduct with the person's protection assured.
- The Company continuously emphasizes the use of its website to communicate with stakeholders (shareholders, investors, customers, regulators, etc.) information to be published about the company. The information available on the website includes the annual report, quarterly reports, the market disclosures of the last five years and other information.

Pillar Ten
Performance enhancement and improvement

Mechanisms in place enabling the Board of Directors and Executive Management to receive continuous professional training

During 2017, The Nomination and Remuneration Committee provided continuous training and orientation programs to the Board of Directors. The Board members attended the following workshops:

- Overview of Risk Management
- Leading practices in good governance
- Amendments to the Capital Market Authority and the Kuwait Stock Exchange trading system

Evaluate the overall Board of Directors performance, and the performance of each member of the board and members of the Executive Management.

The annual evaluation of the members of the Board of Directors reflects the company's commitment to the continuous endeavor to improve the performance of the Board and its supervisory role, and the evaluation of the performance of the Board of Directors can assess the efficiency and effectiveness of the board in carrying out its responsibilities under the supervision of the Chairman of the Board.

Through the workings of the Nomination and Remuneration Committee, the Chairman determines the results of the performance evaluation by identifying the strengths and weaknesses, and as such reviewing the training and development needs of the members.

Board of Directors efforts to instill corporate values in company employees

The Board of Directors makes great efforts to instill corporate values by emphasizing executive management's continued commitment to motivate employees by linking the rewards and promotions they receive to their performance, which is assessed by clear criteria to do their best to achieve the company's strategic objectives. The company develops the performance of employees by arranging training courses for them and encourages them to obtain more specialized professional certificates for each according to their relevant field of work.

Pillar Eleven
Focus on the importance of Corporate Social Responsibility

The Corporate Social Responsibility Policy and the most significant programs and mechanisms used to raise awareness of the company efforts in the social works domain.

In execution of its corporate strategy, ACICO Industries repeatedly contributes to social responsibility initiatives and in community programs, activities and events in general. ACICO's growing social responsibility undertakings during the past years has converted them into a basic performance indicator, especially that the company has found that social responsibility goes beyond simple volunteer work to aid the community, but rather a basic element of long term success through active charitable works.

ACICO has succeeded in blending economic development and social responsibility serving the growing needs and requirements of customers and the community at large in its pursuit of driving the national development cycle.

The social responsibility role the company undertakes towards its employees, in line with the belief that the operations' human capital is the most important element in achieving success and leadership in the market, all whilst seeking to continuously develop the capabilities of the staff, working to improve their performance, and providing a comfortable working environment to achieve the desired goal has led to the company retaining the services of its talented work force and has increased the number of Kuwaitis working in the company through the provision of suitable job opportunities, such that progress and improvement are continued through follow up permanent rigorous training.

ACICO is keen to continue to support and sponsor the graduation ceremony of the Faculty of Engineering and Petroleum Studies at Kuwait University as an integral part its responsibility towards society and in adherence to its belief that science and young talents are two sides of the same coin. Eng. Ghosson Al Khaled – Deputy Chief Executive Officer of ACICO Group has also participated by giving the graduation keynote on several occasions.

ACICO has also played a significant role in adopting and sponsoring initiatives that are of interest, allocating a noteworthy sum of its leading social responsibility program to provide strategic sponsorship to a number of organizations and medical programs; that is in addition to the concentrated interest in raising health awareness regards key health issues.

On May 24th 2017, ACICO sponsored a forum at the Autism Partnership Center – Kuwait during which a review of the basics of effective treatment for young children with autism spectrum disorders and the importance of early diagnosis were discussed. Parents of autistic children were also given a free consultation with Dr. Ronald Lev, manager and co-founder of the Autism Partnership Center.

In light of our humanitarian and social duty towards Kuwaiti society, "Walk With Us to Raise Autism Awareness" is a function that was sponsored by ACICO on 9th -10th June 2017 in support of autism and families with autistic children working to improve their lives, to increase public awareness and knowledge about the importance of early diagnosis, rehabilitation and treatment. This function was co-organized with the Autism Partnership Center -Kuwait and included a walking activity before breakfast along with the presence of subject matter experts to disseminate awareness and children's activities.

On October 24th 2017, a lecture on "Autism and its impact and the importance of early diagnosis to help with early rehabilitation and treatment of autistic children" was sponsored by ACICO, where Eng. Ghosson Al Khaled – the Deputy Chief Executive Officer of the ACICO Group gave the keynote sponsors speech at the event. Benefiting from this lecture were the parents of Autistic children in addition to school administrators and teachers with special needs students, pediatricians, doctors, psychologists, social workers and individuals with knowledge and interests regards Autism. Parents of autistic children were also given a free consultation with Dr. Ronald Lev.

ACICO
مبنيـة على أسس ثابتـة
BUILDING ON SOLID FOUNDATIONS

P.O.Box: 24079 Safat 13101 Kuwait
T +965 188 8811
F +965 22422103
www.acicogroup.com

تعهد مجلس الإدارة
بسلامة ونزاهة البيانات المالية

السادة / مساهمي شركة أسيكو للصناعات   تحية طيبة وبعد،

يتعهد مجلس إدارة شركة أسيكو للصناعات بسلامة ونزاهة التقارير المالية والتقارير ذات الصلة بنشاط الشركة المُعدة من قبل شركة أسيكو الصناعات عن السنة المالية المُنتهية في 2017/12/31

وتفضلوا بقبول فائق الاحترام.

رئيس مجلس الإدارة
السيد/ عبدالعزيز أحمد عبدالله الأيوب

Audit Committee Report – For the year ended on December 31, 2017

Preface

The Audit Committee is a committee that ensures establishing the compliance culture in the company through ensuring the integrity and correctness of financial reports as well as checking the sufficiency and efficiency of the applicable corporate internal control systems.

The Audit Committee consists of the following:

1. Eng. / Ahmed Ghassan Al-Khaled - Audit Committee Chairman
2. Mr. / Ahmad Faisal Al-Refaie - Audit Committee Member
3. Mr. / Basel Abdullah Al-Nafisi - Audit Committee Member

Committee Meetings and Achievements:

During 2017, the Committee held 10 meetings. The Committee's most important achievements included the following matters:

- Discussing the financial statements with the external auditor before raising the annual accounts to the Board of Directors and making recommendations.
- Recommending the appointment of the External Auditor.
- Discussing and nominating an independent external audit firm to assess the internal control systems and their operational effectiveness.
- Discussing the internal audit work plan.
- Periodic meetings with the Director of the Internal Audit Department to discuss the Audit Department reports.

The Committee's opinion regarding the Company's internal control environment

Through its performance of duties in 2017, the Committee believes that the Company has an adequate and effective control environment as neither significant gaps were identified during the year, nor were there any significant failures in the internal control systems applications.

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2107
WITH
INDEPENDENT AUDITORS' REPORT

CONTENTS

INDEPENDENT AUDITORS' REPORT

The Shareholders
ACICO Industries Company - K.S.C.(Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ACICO Industries Company - K.S.C. (Public) ("the Parent Company") and subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial 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 December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements, 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Valuation of investment properties

Investment properties amounting to KD 201,066,942 form a significant part of the total assets of Group. The determination of the fair value of such properties is a subjective area and is highly dependent on judgements and estimates. Accordingly, the valuation of investment properties is considered a key audit matter. The Group performs an annual valuation exercise through licensed valuers to determine the fair value of the investment properties. These valuations are dependent on certain key assumptions such as estimated rental revenues, discount rates, occupancy rates, market knowledge, developers risk and historical transactions. In estimating the fair value of investment properties, valuers used the discounted cash flow and sales comparison valuation techniques and had considered the nature and usage of the investment properties. We reviewed the valuation reports from the licensed valuers and checked the adequacy of disclosures in the consolidated financial statements, which is included in Note (10).

Other Information
Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditors' report therein. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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 No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the financial year ended December 31, 2017 that might have had a material effect on the business or financial position of the Parent Company.

Dr. Ali Owaid Rukheyes
Licence No. 72-A
Member Of Nexia International – (England)
ALWaha Auditing Office

Dr. Shuaib A. Shuaib
Licence No.33-A
RSM Albazie & Co.

State of Kuwait
January 10, 2018

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2017	2016
Cash and cash equivalents	3	**4,928,902**	5,487,825
Accounts receivable and other debit balances	4	**31,838,748**	21,437,863
Gross amount due from customers for contract work	5	**77,826**	2,026,169
Due from related parties	6	**8,899,860**	11,993,409
Inventories	7	**26,377,792**	31,856,921
Properties held for trading	8	**11,987,381**	12,148,718
Financial assets available for sale		**779,158**	863,303
Investment in associates	9	**3,196,097**	3,404,545
Investment properties	10	**201,066,942**	196,730,683
Rights of utilization of leasehold lands	11	**12,428,329**	12,428,329
Property, plant and equipment	12	**100,273,761**	96,217,480
Goodwill		**5,853,332**	5,853,332
Total assets		**407,708,128**	400,448,577
LIABILITIES AND EQUITY			
Liabilities:			
Due to banks	13	**12,359,698**	11,627,612
Accounts payable and other credit balances	14	**28,593,129**	28,900,853
Dividends payable to shareholders		**1,922,371**	1,468,936
Gross amount due to customers for contract work	5	**3,029,786**	2,681,500
Due to related parties	6	**1,044,018**	44,646
Term loans	15	**180,044,710**	181,955,328
Murabaha payable	16	**61,351,570**	53,662,842
Provision for end of service indemnity	17	**3,872,621**	3,189,629
Total liabilities		**292,217,903**	283,531,346

	Note	2017	2016
Equity:			
Share capital	18	**30,240,371**	28,800,354
Share premium	19	**24,426,446**	24,426,446
Statutory reserve	20	**12,627,673**	12,104,676
Treasury shares	22	**(432,774)**	(432,774)
Treasury shares reserve		**2,589,875**	2,589,875
Effect of change in other comprehensive loss of associates		**(202,634)**	(292,969)
Other reserve		**1,600,000**	1,600,000
Foreign currency translation adjustments		**5,645,937**	9,502,111
Retained earnings		**29,420,582**	30,554,108
Equity attributable to shareholders of the Parent Company		**105,915,476**	108,851,827
Non-controlling interests		**9,574,749**	8,065,404
Total equity		**115,490,225**	116,917,231
Total liabilities and equity		**407,708,128**	400,448,577

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

Abdul Aziz Al-Ayoub

Chairman

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Operating revenue		101,615,884	91,047,340
Operating costs		(77,203,317)	(70,042,359)
Net real estate revenue	23	6,083,082	7,578,903
Gross profit from operations		30,495,649	28,583,884
General and administrative expenses	24	(9,992,689)	(8,303,544)
Selling expenses		(1,591,234)	(1,150,743)
Depreciation	12	(549,698)	(592,589)
Income from operations		18,362,028	18,537,008
Group's share of results from associates	9	(298,783)	(678,593)
Impairment loss on financial assets available for sale		(84,145)	(148,410)
Impairment loss on investment in associates		-	(18,263)
Gain on sale of property, plant and equipment		21,828	73,310
Finance charges		(10,751,842)	(8,363,579)
Provision for doubtful debts		(232,350)	(246,000)
Other income		640,735	447,227
Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		7,657,471	9,602,700
Contribution to KFAS		-	(5,049)

	Note	2016	2015
NLST		**(54,193)**	(202,715)
Zakat		**-**	(21,666)
Board of Directors' remuneration	26	**(45,000)**	(45,000)
Profit for the year		**7,558,278**	9,328,270
Attributable to:			
Shareholders of the Parent Company		**5,130,782**	7,238,331
Non-controlling interests		**2,427,496**	2,089,939
Profit for the year		**7,558,278**	9,328,270
		Fils	Fils
Earnings per share attributable to shareholders of the Parent Company	25	**17.04**	24.04

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

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
Profit for the year		**7,558,278**	9,328,270
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income (loss) of associates	9	**90,335**	(309,732)
Exchange differences on translating foreign operations		**(3,899,325)**	1,812,194
Other comprehensive (loss) income for the year		**(3,808,990)**	1,502,462
Total comprehensive income for the year		**3,749,288**	10,830,732
Attributable to:			
Shareholders of the Parent Company		**1,364,943**	8,731,361
Non-controlling interests		**2,384,345**	2,099,371
Total comprehensive income for the year		**3,749,288**	10,830,732

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

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

(All amounts are in Kuwaiti Dinars)

	Equity attributable to parent company's shareholders											
	Share capital	Share premium	Statutory reserve	Treasury shares	Treasury shares reserve	Effect of changes in other comprehen-sive loss of associates	Other reserve	Foreign currency translation adjustments	Retained earnings	Sub - total	Non-controlling interests	Total
Balance as at December 31, 2015	27,428,908	24,426,446	11,353,400	(432,774)	2,589,875	(41,441)	1,600,000	7,699,349	29,534,977	104,158,740	6,591,033	110,749,773
Bonus shares	1,371,446	-	-	-	-	-	-	-	(1,371,446)	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(4,096,478)	(4,096,478)	-	(4,096,478)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(625,000)	(625,000)
Share of other equity movements of an associate ((Note 9	-	-	-	-	-	58,204	-	-	-	58,204	-	58,204
Total compre-hensive (loss) income for the year	-	-	-	-	-	(309,732)	-	1,802,762	7,238,331	8,731,361	2,099,371	10,830,732
Transfer to stat-utory reserve	-	-	751,276	-	-	-	-	-	(751,276)	-	-	-
Balance as at December 31, 2016	28,800,354	24,426,446	12,104,676	(432,774)	2,589,875	(292,969)	1,600,000	9,502,111	30,554,108	108,851,827	8,065,404	116,917,231
Bonus shares ((Note 26	1,440,017	-	-	-	-	-	-	-	(1,440,017)	-	-	-
Cash dividends ((Note 26	-	-	-	-	-	-	-	-	(4,301,294)	(4,301,294)	-	(4,301,294)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(875,000)	(875,000)
Total compre-hensive income (loss) for the year	-	-	-	-	-	90,335	-	(3,856,174)	5,130,782	1,364,943	2,384,345	3,749,288
Transfer to stat-utory reserve	-	-	522,997	-	-	-	-	-	(522,997)	-	-	-
Balance as at December 31, 2017	**30,240,371**	**24,426,446**	**12,627,673**	**(432,774)**	**2,589,875**	**(202,634)**	**1,600,000**	**5,645,937**	**29,420,582**	**105,915,476**	**9,574,749**	**115,490,225**

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

ACICO FOR INDUSTRIES CO. - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts are in Kuwaiti Dinars)

	2017	2016
Cash flows from operating activities:		
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration	7,657,471	9,602,700
Adjustments for:		
Changes in fair value of investment properties	136,590	(303,830)
Gain on sale of investment properties	(49,077)	(107,125)
Provision for end of service indemnity	918,158	726,838
Depreciation	6,070,198	5,157,925
Group's share of results from associates	298,783	678,593
Impairment loss on financial assets available for sale	84,145	148,410
Impairment loss on investment in associates	-	18,263
Gain on sale of property, plant and equipment	(21,828)	(73,310)
Finance charges	10,751,842	8,363,579
Provision for doubtful debts	232,350	246,000
	26,078,632	24,458,043
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(10,622,516)	(3,849,820)
Gross amount due from customers for contract work	1,948,343	189,718
Due from related parties	1,466,959	(919,917)
Inventories	5,479,284	(10,441,533)
Net movement in properties held for trading	(119,976)	(328,589)
Accounts payable and other credit balances	1,760,144	(2,769,159)
Gross amount due to customers for contract work	348,286	17,035
Due to related parties	999,372	(5,895,621)
Cash generated from operations	27,338,528	460,157

	2017	2016
Payment for KFAS	(490,471)	(725)
Payment for NLST	(430,652)	(212,761)
Payment for Zakat	(237,038)	(47,051)
Payment for Board of Directors' remuneration	(36,500)	(45,000)
Payment for end of service indemnity	(228,189)	(335,292)
Net cash generated from (used in) operating activities	25,915,678	(180,672)
Cash flows from investing activities:		
Paid for investment properties	(5,951,149)	(989,539)
Proceeds from sale of investment properties	402,451	1,386,649
Paid for purchase of property, plant and equipment	(11,009,682)	(17,022,529)
Proceeds from sale of property, plant and equipment	309,223	815,787
Net cash used in investing activities	(16,249,157)	(15,809,632)
Cash flows from financing activities:		
Due to banks	732,086	4,559,627
Term loans	(1,910,618)	22,596,535
Murabaha payable	7,688,728	4,121,092
Finance charges paid	(11,724,243)	(7,261,059)
Dividends paid to shareholders of the Parent Company	(3,847,859)	(3,899,819)
Dividends paid to non-controlling interests	(875,000)	(625,000)
Net cash (used in) generated from financing activities	(9,936,906)	19,491,376
Net (decrease) increase in cash and cash equivalents	(270,385)	3,501,072
Cash related to a new subsidiary	-	9,176
Foreign currency translation adjustments	(288,538)	(233,747)
Cash and cash equivalents at the beginning of the year	5,487,825	2,211,324
Cash and cash equivalents at the end of the year	4,928,902	5,487,825

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

1. Incorporation and principal activities

ACICO Industries Company (the Parent Company) is a Kuwaiti public shareholding company incorporated through an agreement No. 16540 dated June 23, 1990, with latest amendment on May 2, 2017 and is listed in Boursa Kuwait. The Parent Company's commercial registration number is 41903 dated July 17, 1991.

The principal activities of the Parent Company include:

1- Establishment of factories for the production of all types and sizes of aerated concrete and non-concrete and all its construction requirements, import and export of all building materials. The Company is considered the sole agent in the Middle East for manufacturing 'Hebil' international products.
2- Owning, buying and selling real estate, land and its development for the benefit of the Company either inside or outside Kuwait, also management of properties for others and all of that without violating the rules stipulated in the existing laws and prohibited from trading in private housing blocks as stipulated by these laws.
3- Dealing in industrial companies' shares and bonds relating to the main objective of the Company either inside or outside Kuwait.
4- Preparing and submitting the studies and consultancy and also organizing the industrial exhibition for the Company's projects.
5- General contracting and management of real estate funds.

The Parent Company may have an interest or participation in companies of similar activities which could assist the Parent Company in achieving its objectives inside or outside the State of Kuwait. The Parent Company may also establish, participate in or acquire such companies.

The Parent Company's total number of employees as at December 31, 2017 is 346 employees (2016: 475 employees).

The Parent Company is located in Sharq, Al – Hamra Business Tower, 34th floor and its registered office is P.O. Box 24079, Safat,13101 - State of Kuwait.

The consolidated financial statements were authorized for issue by the Board of Directors on January 11, 2018. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

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

a) Basis of preparation:

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost basis, except for investment properties that are stated at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(ac).

Standards issued and effective

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2017:

Amendment to IAS 7 – Disclosure Initiative

The amendment to this standard which is effective prospectively for annual periods beginning on or after January 1, 2017 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Amendments to IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments are effective from January 1, 2017 and must be applied retrospectively.

The above mentioned amendments did not have any material impact on the consolidated financial statements.

Standards and interpretations issued but not effective

The following new and amended IASB standards and interpretations have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an “expected credit loss (ECL)” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The recognition and derecognition provisions are carried over almost unchanged from IAS 39.

The management anticipate that IFRS 9 will be adopted in the Group’s consolidated financial statements when it becomes mandatory and will not restate comparative information. The management in the process of assessing the full impact of IFRS 9 on the Group’s consolidated financial statements based on an analysis of the Group’s financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

Concerning impairment, the management expect to apply the simplified approach to recognise lifetime ECL for the Group’s financial assets carried at amortized cost. Although the management are currently assessing the extent of this impact, they anticipate that the application of the ECL model of IFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a single and comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,

SIC 31 – Revenue-Barter Transactions Involving Advertising Services

The management of the Group anticipate that IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory, and they intend to use the retrospective method of transition wherein the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of the retained earnings and will not restate comparative information.

However, as the management are still in the process of assessing the full impact of the application of IFRS 15 on the Group consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 16 - Leases
This standard will be effective for annual periods beginning on or after January 1, 2019 and will be replacing IAS 17 "Leases". The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration
The interpretation will be effective for annual periods beginning on or after January 1, 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Amendments to IAS 28 – Investment in Associates and Joint Ventures

a) The amendments clarify that:
An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted.

Amendments to IAS 40 – Transfers of Investment Property

The amendment will be effective for annual periods beginning on or after January 1, 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The amendments to other standards are not expected to have a material impact on the consolidated financial statements.

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

Name of the subsidiary	Country of incorporation	Percentage of holding (%) 2017	Percentage of holding (%) 2016
ACICO Arabia for General Trading & Contracting Company – W.L.L.	State of Kuwait	94.33%	94.33%
ACICO for Construction Company - K.S.C. (Closed)	State of Kuwait	75%	75%
ACICO Kuwait Company - W.L.L. (a)	State of Kuwait	99%	99%
ACICO Gulf Real Estate Company – W.L.L. (a)	State of Kuwait	99%	99%
Aselera Logistics for Goods Transportation Company – W.L.L. (a)	State of Kuwait	99%	99%
Al Masaken United Real Estate Company K.S.C. (Closed)	State of Kuwait	85.84%	85.84%
Aerated Concentrate Industries Company – Qatar – W.L.L.	State of Qatar	100%	100%
Sky Star International for Businessmen Services Company – W.L.L.	United Arab Emirates	100%	100%
Aerated Concrete Industries Company - Saudi Arabia - W.L.L.	Kingdom of Saudi Arabia	100%	100%
Mariam Al Subah & Co. for General Trading Co. W.L.L.	State of Kuwait	100%	100%

a) The other 1% investment are registered in the name of a related party and there is a waiver letter that the beneficial ownership of this investment is in favour of the Group.

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

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

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;

- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) **Financial instruments:**

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

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

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, receivables, financial assets available for sale, due from (to) related parties, due to banks, term loans, Murabaha payable and accounts payable.

Financial assets

i- Cash and cash equivalents

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

ii- Accounts receivable

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

iii- Financial investments

Initial recognition and measurement

The Group classifies its financial investments that fall within the scope of IAS 39 under financial assets available for sale. The classification depends on the purpose for which those assets were acquired and is determined at initial recognition by the management.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of those financial assets are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets avilable for sale are initially recognized at fair value plus transaction costs.

Subsequent measurement

After initial recognition, financial assets available for sale are subsequently carried at fair value. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where financial assets available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When a financial asset available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

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

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

Financial liabilities

Accounts payable:

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Borrowings:

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

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

Murabaha payable:

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

A financial liability is 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 the consolidated statement of profit or loss.

Offsetting of financial assets and liabilities

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

d) Gross amount due from (to) customers for contract work:

Gross amount due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

e) Inventories:

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

f) Properties held for trading:

Properties acquired or being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost or net realizable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognized in consolidated statement of profit or loss on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading is charged to other operating expenses.

g) Investment in associates:

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired by applying the requirements of IAS 39 and determine if necessary, to recognize any impairment loss with respect to the investment. If this is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

h) Investment properties:

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs. Subequent to the initial recognition, investment properties are stated at their fair value at the end of the reporting period. Gains and losses arising from changes in the fair value of investment properties are included in the conslidated statement of profit or loss for the period in which they arise.

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

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

i) Rights of utilization:

Right of utilization represents the Group's right to use a set of plots in Kuwait. This is recognized initially at cost, and subsequently measured at cost less accumulated amortization and impairment losses.

j) Property, plant and equipment:

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

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

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

Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

Assets category	Years
Buildings	**20**
Motor vehicles	**3 – 10**
Tools	**3 – 5**
Furniture and fixtures	**3 – 5**
Computers and equipments	**3 – 5**

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

Capital work in progress is stated at cost. Following completion, capital work in progress is transferred into the relevant class of property, plant and equipment.

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

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

k) Goodwill:

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previously held interest, over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in note 2(g).

l) Impairment of assets:

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

m) Provisions:

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

n) Provision for end of service indemnity:

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

o) Dividend distribution to shareholders of the Parent Company:

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

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

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

p) Share capital:

Ordinary shares are classified as equity.

q) Share premium:

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

r) Treasury shares:

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

s) Other reserve:

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

t) Revenue recognition:

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

(ii) Rendering of services

Revenue is recognized when the service is rendered.

(iii) Construction contracts

Revenue from construction contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

(iv) Interest income

Interest income is recognized using the effective interest method.

(v) Dividend income

Dividend income is recognized when the right to receive payment is established.

(vi) Rent

Rental income is recognized, when earned, on a time apportionment basis.

(vii) Gain on sale of investments

Gain on sale of financial assets is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

(viii) Other income and expenses

Other income and expenses are recognized on an accrual basis.

u) Borrowing costs:

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

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

v) Foreign currencies:

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in “cumulative changes in fair value” in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

w) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease

(a) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(b) The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

x) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS):

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting accumulated losses, its share of income from Kuwaiti shareholding subsidiaries, associates and transfer to statutory reserve.

y) National Labor Support Tax (NLST):

National Labor Support Tax is calculated at 2.5% on the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of profit from associates and un-consolidated subsidiaries listed in Boursa Kuwait, its share of NLST paid by subsidiaries listed in Boursa Kuwait and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 for year 2000 and Ministerial Resolution No. 24 for year 2006 and their executive regulations.

z) Zakat:

Zakat is calculated at 1% on the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of profit from Kuwaiti shareholding associates and un-consolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 for year 2006 and Ministerial Resolution No. 58 for year 2007 and their Executive Regulations.

aa) Contingencies:

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

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

ab) Segment reporting:

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

ac) Critical accounting estimates and judgments:

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

a) **Judgments**

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

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IAS 11 for determination of contract cost and revenue recognition.

(iii) Classification of lands

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

(1) **Properties under development**

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

(2) **Work in progress**

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

(3) **Properties held for trading**

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

Investment properties

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

(i) Provision for doubtful debts and inventory

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(ii) Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as “at fair value through profit or loss” or “available for sale”. The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as “at fair value through profit or loss” if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. All other financial assets are classified as “available for sale”.

(iii) Impairment of financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity instruments is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is “significant” or “prolonged” requires significant judgment.

(iv) Application of IFRIC 15 – Agreements for the construction of real estate.

The determination whether the agreements within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue require significant judgment.

(v) Material non-controlling interests

The Group’s management considers any non-controlling interests which accounts for 5% or more of the related subsidiary’s equity as material. Disclosures pertaining to those non-controlling interests are set out in Note (27).

Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of unquoted equity financial assets:

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

(ii) Impairment of Goodwill:

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the “value in use” of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iii) Long term contracts:

Revenue from long term contracts is recognized in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed.

The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

(iv) Provision for doubtful debts and inventories:

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(v) Valuation of investment properties:

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of profit or loss. Two main methods were used to determine the fair value of the investment properties:

(a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Market value or comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(vi) Impairment of non-financial assets:

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

3. Cash and cash equivalents

	2017	2016
Cash on hand and at banks	**4,223,768**	4,377,825
Short-term deposits	**705,134**	1,110,000
	4,928,902	5,487,825

The short-term deposits carries an effective interest rate 1.75% per annum and matures within three months (2016: ranges from 0.75% to 1.5% per annum).

4. Accounts receivable and other debit balances

	2017	2016
Trade receivables (a)	**25,863,597**	23,538,784
Provision for doubtful debts (b)	**(5,414,751)**	(9,658,694)
	20,448,846	13,880,090
Advance payment to suppliers	**3,818,085**	2,576,174
Cheques under collection	**2,851,158**	1,405,599
Prepaid expenses	**1,248,333**	1,138,902
Retention receivables	**2,059,629**	1,499,964
Refundable deposits	**202,699**	171,014
Letters of credit	**430,362**	289,691
Other receivables	**779,636**	476,429
	31,838,748	21,437,863

a) Trade receivables:

As at December 31, 2017, trade receivables amounting to KD 20,448,846 (2016: KD 13,880,090) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of the trade receivables is as follows:

	Past due but not impaired			
	180 – 91 days	365 – 181 days	Impaired	Total
2017	**13,331,697**	**7,117,149**	**5,414,751**	**25,863,597**
2016	7,402,683	6,477,407	9,658,694	23,538,784

As at December 31, 2017, trade receivables amounting to KD 5,414,751 (2016: KD 9,658,694) were impaired and fully provided for. The individually impaired receivables provided for mainly relate to long outstanding receivables from customers.

b) Provision for doubtful debts:

The movement in the provision for doubtful debts was as follows:

	2017	2016
Balance at the beginning of the year	9,658,694	9,402,198
Provision charge for the year	232,350	246,000
Utilized during the year	(4,465,575)	(959)
Foreign currency translation adjustments	(10,718)	11,455
Balance at the end of the year	5,414,751	9,658,694

5. Gross amount due from (to) customers for contract work

	2017	2016
Contract costs incurred to date plus recognized profits (less recognized losses)	27,065,562	18,996,936
Progress billings	(30,017,522)	(19,652,267)
	(2,951,960)	(655,331)
Represented by:		
Gross amount due from customers for contract work	77,826	2,026,169
Gross amount due to customers for contract work	(3,029,786)	(2,681,500)
	(2,951,960)	(655,331)

6. Related party disclosures

The Group has entered into various transactions with related parties, i.e. major shareholders, board of directors, key management personnel, associates and other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related parties' transactions and balances are as follows:

(i) **Balances included in the consolidated statement of financial position:**	Major shareholders	Associate	Other related parties	2017	2016
Due from related parties	558,576	671,945	7,669,339	8,899,860	11,993,409
Due to related parties	-	-	1,044,018	1,044,018	44,646

Due from and due to related parties are non-interest bearing and do not have specific due dates.

(ii) Key management personnel :

	2017	2016
Salaries and other short term benefits	543,582	266,641
Termination benefits	34,822	6,303
Board of directors' remuneration	45,000	45,000

7. Inventories

	2017	2016
Raw materials	19,314,696	23,116,669
Finished goods	3,674,825	5,901,405
Spare parts	3,825,740	3,276,471
	26,815,261	32,294,545
Provision for slow-moving items (a)	(437,469)	(437,624)
	26,377,792	31,856,921

(a) The movement in the provision for slow-moving items was as follows:

	2017	2016
Balance at the beginning of the year	437,624	437,539
Foreign currency translation adjustments	(155)	85
Balance at the end of the year	437,469	437,624

8. Properties held for trading

The movement during the year was as follows:

	2017	2016
Balance at the beginning of the year	12,148,718	11,715,773
Additions during the year	706,465	328,589
Disposals during the year	(586,489)	-
Foreign currency translation adjustments	(281,313)	104,356
Balance at the end of the year	11,987,381	12,148,718

9. Investment in associates

Name of the associate	Country of incorporation	Percentage of holding 2017	Percentage of holding 2016	Principal activities	2017	2016
Acico Kuwaiti Syria Company – W.L.L.	Syria	**50%**	50%	Industrial	**18,263**	18,263
Provision for impairment					**(18,263)**	(18,263)
					-	-
Al-Masaken International for Real Estate Development -K.S.C. (Public)	Kuwait	**35%**	35%	Real Estate	**3,196,097**	3,404,545
					3,196,097	3,404,545

The movement during the year was as follows:

	2017	2016
Balance at the beginning of the year	**3,404,545**	7,852,929
Group's share of results from associates	**(298,783)**	(678,593)
Group's share of other comprehensive income (loss)	**90,335**	(309,732)
Group's share of change in equity of an associate	**-**	58,204
Impairment loss on investment in an associate	**-**	(18,263)
Capital reduction of investment in an associate	**-**	(3,500,000)
Balance at the end of the year	**3,196,097**	3,404,545

(a) The summarized financial information of Al – Masaken International for Real Estate Development K.S.C. (Public) which are material to the Group is as follows:

	2017	2016
Statement of financial position:		
Current assets	**10,460,134**	12,514,807
Non-current assets	**12,103,308**	12,302,936
Current liabilities	**(6,682,998)**	(8,701,831)
Non-current liabilities	**(5,561,417)**	(5,321,320)
Net assets	**10,319,027**	10,794,592
Statement of profit or loss:		
Revenue	**167,775**	2,447,031
Expenses	**(901,439)**	(5,104,521)
Net loss for the year	**(733,664)**	(2,657,490)

(b) Reconciliation of the above summarized financial information to the carrying amount of investment in associate recognized in the consolidated financial statements:

	2017	2016
Net assets of the associate	**10,319,027**	10,794,592
Group’s percentage of ownership	**35%**	35%
	3,611,659	3,778,107
Elimination of profits resulting from transactions with the Parent Company	**(365,665)**	(323,666)
Other adjustments	**(49,897)**	(49,897)
Carrying amount of Group’s investment in the associate	**3,196,097**	3,404,545

(C) As of December 31, 2017, the market value of the Group’s ownership interest in Al-Masaken International for Real Estate Development Company -K.S.C. (Public) is KD 2,212,000 (2016: KD 2,345,000).

10. Investment properties

The movement during the year was as follows

	2017	2016
Balance at the beginning of the year	**196,730,683**	195,077,637
Additions	**7,577,739**	989,539
Disposals	**(353,374)**	(1,279,524)
Changes in fair value of investment properties (Note 23)	**(136,590)**	303,830
Foreign currency translation adjustments	**(2,751,516)**	1,639,201
Balance at the end of the year	**201,066,942**	196,730,683

The fair value of the investment properties as at December 31, 2017 has been arrived at based on the lowest of valuations carried out by two independent valuers. In estimating the fair value of investment properties, the discounted cash flow approach and sales comparison approach have been used, considering the nature and usage of the investment properties. The fair value measurement of investment properties have been categorized as level 3 fair value based on inputs to the valuation technique used.

Investment properties with a carrying value of KD 110,873,803 and KD 52,032,560 are pledged against term loans and Murabaha payable (Notes 15,16) respectively (2016: KD 115,710,210 and KD 46,250,690 respectively).

Management of the Group has complied with the Executive Regulations of Capital Markets Authority with respect to guidelines for valuation of investment properties.

11. Rights of utilization of leasehold lands

Rights of utilization represent lands leased from the Public Authority of Industry – State of Kuwait. The rights of utilization has a contractual period of 5 years renewable.

12. Property, plant and equipment

	Buildings	Machinery and equipments	Motor vehicles	Tools	Furniture and fixtures	Computers and equipments	Capital work in progress *	Total
Cost:								
As at December 31, 2016	24,688,959	49,268,513	22,088,655	1,710,964	1,737,979	841,260	25,983,396	126,319,726
Additions	760,520	1,826,633	3,690,770	98,970	83,535	96,526	4,452,728	11,009,682
Disposals	-	(289,240)	(71,304)	-	-	-	-	(360,544)
Transfers	3,267,060	12,676,871	-	21,987	-	-	(15,965,918)	-
Foreign currency translation adjustments	(227,982)	(353,060)	(8,124)	(4,199)	(7,029)	(3,001)	(93,700)	(697,095)
As at December 31, 2017	**28,488,557**	**63,129,717**	**25,699,997**	**1,827,722**	**1,814,485**	**934,785**	**14,376,506**	**136,271,769**
Accumulated depreciation:								
As at December 31, 2016	6,434,735	12,996,005	8,304,725	625,351	981,250	760,180	-	30,102,246
Charge for the year	1,209,260	1,676,165	2,642,589	194,066	295,118	53,000	-	6,070,198
Related to disposals	-	(7,387)	(65,762)	-	-	-	-	(73,149)
Foreign currency translation adjustments	(46,816)	(36,138)	(6,829)	(2,606)	(6,151)	(2,747)	-	(101,287)
As at December 31, 2017	**7,597,179**	**14,628,645**	**10,874,723**	**816,811**	**1,270,217**	**810,433**	**-**	**35,998,008**
Net book value:								
As at December 31, 2017	**20,891,378**	**48,501,072**	**14,825,274**	**1,010,911**	**544,268**	**124,352**	**14,376,506**	**100,273,761**
As at December 31, 2016	18,254,224	36,272,508	13,783,930	1,085,613	756,729	81,080	25,983,396	96,217,480

Depreciation charge for the year has been allocated as follows:

	2017	2016
Operating costs	**5,520,500**	4,565,336
Consolidated statement of profit or loss	**549,698**	592,589
	6,070,198	5,157,925

The Group's factory buildings located in Kuwait are constructed on plots of land leased from the Public Authority of Industry – State of Kuwait. Certain property, plant and equipment with a carrying value of KD 4,951,884 (2016: KD 9,116,221) are pledged against term loans obtained from local banks (Note 15).
*Capital work in progress represents expansion of the Groups' factories for new production lines.

13. Due to banks

This represents overdraft facilities carrying an interest rate ranging from 1.5% to 2% (2016: 1.5% to 2%) per annum over the Central Bank of Kuwait discount rate and is repayable on demand.

14. Accounts payable and other credit balances

	2017	2016
Trade payables	14,250,959	12,746,070
Payable for acquisition of a subsidiary	2,418,667	3,048,188
Advances received from customers	4,172,403	1,933,774
Post dated cheques	221,464	407,983
Subcontractors' and retention payables	3,282,626	5,511,165
Accrued staff leave	1,297,303	1,006,363
KFAS payable	157,660	559,293
NLST payable	223,603	600,062
Zakat payable	322,579	484,545
Board of Directors' remuneration payable	95,500	87,000
Provisions for lawsuits, projects and maintenance work	1,216,663	741,626
Accrued expenses and other payables	933,702	1,774,784
	28,593,129	28,900,853

The classification of accounts payable and other credit balances according to their maturities is as follows:

	2017	2016
Current	21,675,173	22,829,356
Non-current	6,917,956	6,071,497
	28,593,129	28,900,853

15. Term loans

	2017	2016
Current portion	19,497,409	29,763,354
Non-current portion	160,547,301	152,191,974
	180,044,710	181,955,328

Term loans carry an annual interest rates ranging from 1.25% to 2.50% (2016: 1.25% to 2.50%) per annum over the Central Bank of Kuwait discount rate as at December 31,2017.

Term loans are secured by the following first degree collaterals:

(i) Pledge of investment properties (Note 10).

(ii) Pledge of certain property, plant and equipment (Note 12).

16. Murabaha payable

	2017	2016
Murabaha payable	61,977,283	55,493,140
Less: Unamortized future finance charges	(625,713)	(1,830,298)
Present value of Murabaha payable	61,351,570	53,662,842

Represented as:

	2017	2016
Current portion	9,624,050	9,160,000
Non-current portion	51,727,520	44,502,842
Present value of Murabaha payable	61,351,570	53,662,842

Murabaha payable carries finance charges ranging from 4% to 4.75% (2016: 3.75% to 4.25%) per annum.

Murabaha payable is secured by investment properties (Note 10).

17.Provision for end of service indemnity

	2017	2016
Balance at the beginning of the year	3,189,629	2,794,650
Charge for the year	918,158	726,838
Paid during the year	(228,189)	(335,292)
Foreign currency translation adjustments	(6,977)	3,433
Balance at the end of the year	3,872,621	3,189,629

18. Share capital

The authorized, issued and paid up capital comprises of 302,403,714 (2016: 288,003,537) shares of 100 fils each and all shares are paid in cash.

19. Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

20. Statutory reserve

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

21. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such transfer may be discontinued by a resolution at the Shareholders' Annual General Assembly, upon recommendation by the Board of Directors. The Board of Directors proposed not to transfer any amounts to the voluntary reserve for the year ended December 31, 2017. This proposal is subject to the approval of the Shareholders' Annual General Assembly.

22. Treasury shares

	2017	2016
Number of treasury shares	**1,312,988**	1,250,465
Percentage of ownership	**0.43%**	0.43%
Market value (KD)	**295,422**	325,121
Cost (KD)	**432,774**	432,774

The Parent Caompany's management has allotted an amount, equal to treasury shares balance, from the available retained earnings as at December 31, 2017. Such amount will not be available for distribution during the treasury shares holding period. Treasury shares are not pledged.

23. Net real estate revenue

	2017	2016
Change in fair value of investment properties (Note 10)	**(136,590)**	303,830
Gain on sale of investment properties	**49,077**	107,125
Net rental revenue	**6,170,595**	7,167,948
	6,083,082	7,578,903

24. Staff costs

Staff costs have been allocated as follows:

	2017	2016
Operating costs	**10,068,393**	9,838,724
General and administrative expenses	**6,802,879**	5,762,926
	16,871,272	15,601,650

25. Earnings per share

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

	2017	2016
Profit for the year attributable to shareholders of the Parent Company	**5,130,782**	7,238,331
	Shares	Shares
Number of issued shares at beginning of the year	**288,003,538**	288,003,538
Add: Bonus shares	**14,400,177**	14,400,177
Less: Weighted average number of treasury shares	**(1,312,988)**	(1,312,988)
Weighted average number of shares outstanding at end of the year	**301,090,727**	301,090,727
	Fils	Fils
Earnings per share attributable to shareholders of the Parent Company	**17.04**	24.04

Earnings per share for the year ended December 31, 2016 was 25.24 fils before restatament for the issue of bonus shares.

26. General assembly, cash dividends, bonus shares and Board of Directors' remuneration

The Board of Directors' meeting held on January 11, 2018 proposed to distribute cash dividends of 10 fils per share amounting to KD 3,010,907, bonus issue of 5 shares for every 100 shares and Board of Directors' remuneration amounting to KD 45,000 for the year ended December 31, 2017. These proposals are subject to the approval of the Shareholders' Annual General Assembly. The Board of Directors' also decided to distribute 5% in-kind dividends of the Group's investment in its subsidiary ACICO for Construction Company K.S.C.C.
The Shareholders' Annual General Assembly held on April 6, 2017 approved the distribution of cash dividends of 15 fils per share amounting to KD 4,301,294, bonus issue of 5 shares for every 100 shares and Board of Directors' remuneration amounting to KD 45,000 for the year ended December 31, 2016.

27. Principal subsidiary with major non-controlling interests ('NCI') which is material to the Group

Name of subsidiary	Country of incorporation	Principal activities	Ownership interests held by the Group 2017	Ownership interests held by the Group 2016	Ownership interests held by the NCI 2017	Ownership interests held by the NCI 2016
ACICO for Construction K.S.C. (Closed)	State of Kuwait	Concrete constructions and contracting	**75%**	75%	**25%**	25%

Total non-controlling interest as of December 31, 2017 amount to KD 6,445,354 (2016: KD 4,869,834).

Summarized financial information for the above subsidiary that has non-controlling interest that are material to the Group:

Summarized consolidated statement of financial position:

	2017	2016
Current assets	53,875,386	49,291,539
Current liabilities	(42,564,735)	(46,444,366)
Net current assets	11,310,651	2,847,173
Non-current assets	63,854,229	59,432,171
Non-current liabilities	(49,383,468)	(42,800,005)
Net non-current assets	14,470,761	16,632,166
Net Assets	25,781,412	19,479,339
Net assets attributable to shareholders	19,336,058	14,609,505
Net assets attributable to NCI	6,445,354	4,869,834

Summarized consolidated statement of profit or loss and other comprehensive income:

	2017	2016
Revenue	79,696,317	67,816,569
Net profit for the year	9,802,074	8,342,147
Total comprehensive income for the year	9,802,074	8,342,147
Total comprehensive income attributable to equity holders of Parent Company	7,351,555	6,256,610
Total comprehensive income attributable to NCI	2,450,518	2,085,537

28. Commitments and contingent liabilities

The Group was contingently liable in respect of the following:

	2017	2016
Letters of guarantee	10,556,124	14,627,057
Letters of credit	14,537,421	4,813,572
	25,093,545	19,440,629

29. Segment reporting

Following are the segment information for the main activities of the Group:

December 31, 2017						
	Industrial	Real estate	Contracting	Total	Entries to eliminate inter-company transactions / non-controlling interest	Total
Operating revenue	102,450,441	586,489	14,358,847	117,395,777	(15,779,893)	101,615,884
Operating costs	(79,064,931)	(586,489)	(12,381,265)	(92,032,685)	14,829,368	(77,203,317)
Net real estate revenue	-	6,083,082	-	6,083,082	-	6,083,082
Depreciation	(509,740)	(4,092)	(35,866)	(549,698)	-	(549,698)
Finance charges	(5,431,990)	(5,319,852)	-	(10,751,842)	-	(10,751,842)
Profit for the year	6,160,342	209,462	1,188,474	7,558,278	(2,427,496)	5,130,782
Total assets	227,256,183	221,924,574	8,114,524	457,295,281	(49,587,153)	407,708,128
Total liabilities	97,714,434	188,121,573	6,381,896	292,217,903	-	292,217,903

December 31, 2016						
	Industrial	Real estate	Contracting	Total	Entries to eliminate inter-company transactions / non-controlling interest	Total
Operating revenue	100,753,652	-	12,174,210	112,927,862	(21,880,522)	91,047,340
Operating costs	80,549,859	-	10,206,980	90,756,839	(20,714,480)	70,042,359
Net real estate revenue	-	7,578,903	-	7,578,903	-	7,578,903
Depreciation	(533,588)	(4,593)	(54,408)	(592,589)	-	(592,589)
Finance charges	(3,715,009)	(4,648,570)	-	(8,363,579)	-	(8,363,579)
Profit for the year	6,759,216	1,788,834	780,220	9,328,270	(2,089,939)	7,238,331
Total assets	217,832,281	225,803,127	6,664,219	450,299,627	(49,851,050)	400,448,577
Total liabilities	80,641,562	197,058,535	5,831,249	283,531,346	-	283,531,346

30. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, receivables, financial assets available for sale, due from (to) related parties, due to banks, term loans, Murabaha Payable and payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

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

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

Year	Increase / (decrease) in interest rate	Balance as at December 31	Effect on consolidated statement of profit or loss
2017			
Due to banks	± 0.5%	**12,359,698**	**± 61,798**
Term loans	± 0.5%	**180,044,710**	**± 900,223**
Murabaha payable	± 0.5%	**61,351,570**	**± 306,758**
2016			
Due to banks	± 0.5%	11,627,612	**± 58,138**
Term loans	± 0.5%	181,955,328	**± 909,777**
Murabaha payable	± 0.5%	53,662,842	**± 268,314**

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, receivables and due from related parties. The Group's cash and cash equivalents are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, receivables and due from related parties.

c) Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between other currencies and Kuwaiti Dinar.

Currency	Increase / (decrease) against KD	Effect on consolidated statement of profit or loss	Effect on consolidated comprehensive income
2017			
UAE Dirham	**± 5 %**	**± 277,225**	**± 954,988**
Saudi Riyal	**± 5 %**	**± 2,663**	**± 21,585**
Qatari Riyal	**± 5 %**	**± 51,055**	**± 219,105**
2016			
UAE Dirham	± 5 %	± 406,844	± 891,276
Saudi Riyal	± 5 %	± 2,607	± 80,688
Qatari Riyal	± 5 %	± 8,355	± 129,682

d) Liquidity risk

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

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets available for sale, investment properties and inventory properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities as at December 31 was as follows:

2017	1 - 3 months	3 - 12 months	1 – 5 years	Total
ASSETS				
Cash and cash equivalents	4,928,902	-	-	4,928,902
Accounts receivable and other debit balances	-	31,838,748	-	31,838,748
Gross amount due from customers for contract work	-	77,826	-	77,826
Due from related parties	-	8,899,860	-	8,899,860
Inventories	-	26,377,792	-	26,377,792
Properties held for trading	-	11,987,381	-	11,987,381
Financial assets available for sale	-	-	779,158	779,158
Investment in associates	-	-	3,196,097	3,196,097
Investment properties	-	-	201,066,942	201,066,942
Rights of utilization of leasehold lands	-	-	12,428,329	12,428,329
Property, plant and equipment	-	-	100,273,761	100,273,761
Goodwill	-	-	5,853,332	5,853,332
	4,928,902	79,181,607	323,597,619	407,708,128
Liabilities				
Due to banks	-	12,359,698	-	12,359,698
Accounts payable and other credit balances	641,682	21,033491	6,917,956	28,593,129
Dividends payable to shareholders	1,922,371	-	-	1,922,371
Gross amount due to customers for contract work	-	3,029,786	-	3,029,786
Due to related parties	-	-	1,044,018	1,044,018
Term loans	-	19,497,409	160,547,301	180,044,710
Murabaha payable	-	9,624,050	51,727,520	61,351,570
Provision for end of service indemnity	-	-	3,872,621	3,872,621
	2,564,053	65,544,434	224,109,416	292,217,903

2016	1 - 3 months	3 - 12 months	1 – 5 years	Total
ASSETS				
Cash and cash equivalents	5,487,825	-	-	5,487,825
Accounts receivable and other debit balances	-	21,437,863	-	21,437,863
Gross amount due from customers for contract work	-	2,026,169	-	2,026,169
Due from related parties	2,987,343	9,006,066	-	11,993,409
Inventories	4,127,218	27,729,703	-	31,856,921
Properties held for trading	-	12,148,718	-	12,148,718
Financial assets available for sale	-	-	863,303	863,303
Investment in associates	-	-	3,404,545	3,404,545
Investment properties	-	-	196,730,683	196,730,683
Rights of utilization of leasehold lands	-	-	12,428,329	12,428,329
Property, plant and equipment	-	-	96,217,480	96,217,480
Goodwill	-	-	5,853,332	5,853,332
	12,602,386	72,348,519	315,497,672	400,448,577

Liabilities				
Due to banks	-	11,627,612	-	11,627,612
Accounts payable and other credit balances	1,731,170	21,098,186	6,071,497	28,900,853
Dividends payable to shareholders	1,468,936	-	-	1,468,936
Gross amount due to customers for contract work	2,681,500	-	-	2,681,500
Due to related parties	-	-	44,646	44,646
Term loans	-	29,763,354	152,191,974	181,955,328
Murabaha payable	-	9,160,000	44,502,842	53,662,842
Provision for end of service indemnity	-	-	3,189,629	3,189,629
	5,881,606	71,649,152	206,000,588	283,531,346

e) **Equity price risk**

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. As December 31, 2017, the Group has no exposure to such risk as the financial assets available for sale are carried at cost.

31. Fair value measurement

The Group measures its non–financial assets such as investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At December 31, the fair value of financial instruments approximate their carrying amounts, with the exception of financial assets available for sale carried at cost. The management of the Group has assessed that fair value of the financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

32. Capital Risk Management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.
For the purpose of capital risk management, the total capital resources consist of the following components:

	2017	2016
Due to banks	**12,359,698**	11,627,612
Term loans	**180,044,710**	181,955,328
Murabaha payable	**61,351,570**	53,662,842
Less: cash and cash equivalents	**(4,928,902)**	(5,487,825)
Net debt	**248,827,076**	241,757,957
Total equity	**115,490,225**	116,917,231
Total capital resources	**364,317,301**	358,675,188
Gearing Ratio	**68.29%**	67.40%

ACICO

ACICO