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NATIONAL INDUSTRIES COMPANY K.P.S.C

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Annual Report

2021

شركة الصناعات الوطنية ش.م.ك.ع

NATIONAL INDUSTRIES COMPANY KPSC

Annual Report

2021

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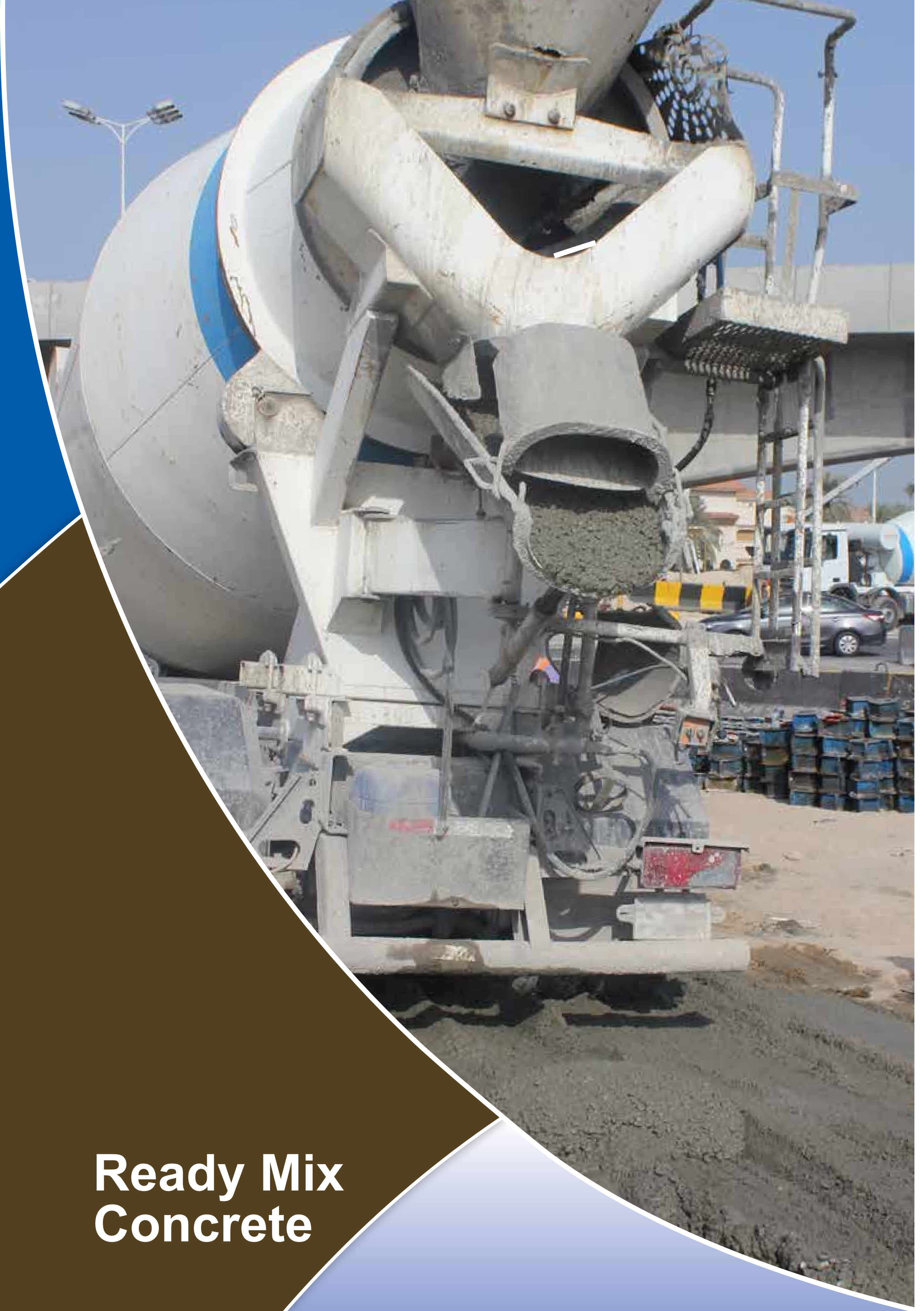
H.H.Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

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

H.H.Sheikh
Sabah Al-Khaled Al-Hamad Al-Sabah
The Prime Minister



Ready Mix Concrete

Contents

AAC White Blocks

Members of the Board of Directors

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

General Manager

Eng. Lafi A. Al-Muhaini

NIC External Cladding

Chairman's Message

Dear shareholders,

On behalf of myself and the members of the BOD, I welcome you to the General Assembly of the National Industries Company (K.S.C.), and I am pleased to present to you the annual report on the company's business results, achievements and financial statements for the year 2021.

Our valued shareholders:

The negative effects of the emerging corona virus cast a shadow on the construction sector, which is considered one of the most important sectors affected by this pandemic, and the company has worked to take the necessary controls and precautionary measures, achieve a balance between operations and production and maintain the health and safety of workers.

The company has continued to maintain its leadership in the building materials manufacturing sector in the country and has been able to maintain its position at the forefront of the industrial companies in Kuwait by maintaining the quality of its products and its commitment to providing the best services to its customers. Total sales reached KWD 43.04 million for this year 2021 compared to KWD 36.13 million in the same period in the year 2020.

We are looking forward to going on our positive performance through the major governmental development projects that support and revitalize the national economy during 2022 and the upcoming years.

Based on the above, the Board of Directors decided in its session held on Wednesday 16/3/2022 to recommend to the General Assembly the distribution of cash dividends at the rate of 10%, or 10 fils per share, for the fiscal year ending on 12/31/2021.

In conclusion, I am pleased to extend my thanks and gratitude to the valued shareholders for their sincere confidence in the company, its board of directors and its employees, and I also extend my thanks and appreciation to the various departments of the company and its employees for their sincere efforts in developing the company and raising its performance and their exceptional efforts during the Covid 19 pandemic.

God grants success,,

Abdulaziz Ibrahim Al-Rabiah
Chairman

Board of Directors Report 2021

The COVID-19 pandemic and the resulting obstacles constituted a practical test of the company's ability to be flexible and innovative, as our company took the initiative to confront and deal with them with flexibility and great focus on implementing its strategy effectively.

During the pandemic, The company worked on protecting the rights of its workers, as well as providing care and taking the necessary measures for general protection, beside setting a clear policy to ensure the urgent response and actual implementation of these measures in order to play its role in meeting the needs of the construction sector and infrastructure of the company's products.

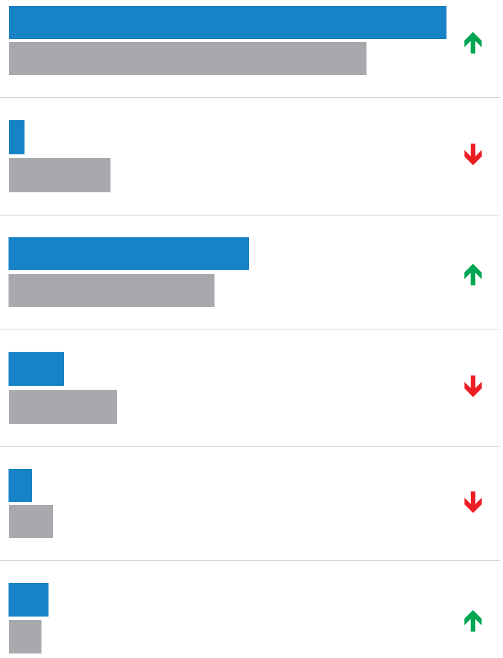
The company has achieved profits of KWD 4.5 million for the year 2021, with an increment of 7227% over the year 2020, where a loss of KWD 63 thousand took place. Sales also increased by 19% and raised to KWD 43.04 million compared to KWD 36.13 million in 2020 Due to the increment in the sales of the company's production factories, despite the negative effect of the infrastructure products (ready mixing, concrete pipes, plastic pipes and curbstones of all kinds), beside the increment of the Subsidiaries sales.

Investment income also have increased by 1026% to reach KWD 1.29 million in 2021, compared to KWD 114 thousand on 2020.

FIRST: SULAIBIYA GROUP OF PLANTS

In 2021, total sales amounted to KWD 12.06 million compared to KWD 12.6 million in 2020, with a decrease of 4.4% comparing to the actual sales of year 2020 and a decrease of (24%) from the estimated sales for the year 2021.

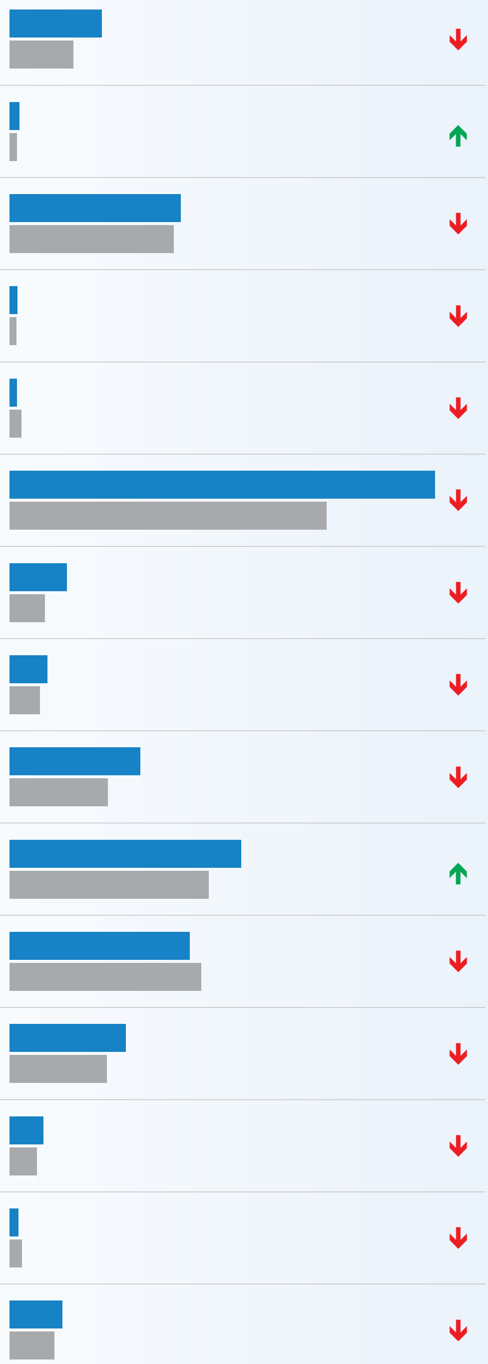
Product	Sales 2021	Sales 2020	Ratio of sales of 2021 compared with 2020
Ready Mix	6,511,340	5,318,035	%22
Concrete Pipes	229,657	1,509,106	%(85)
Interlock	3,571,670	3,058,890	%17
Kerbstone & Cable Covers	820,956	1,606,404	%(49)
Cement Blocks & Moulds	345,371	653,398	%(47)
Yard Tiles	587,983	480,808	%22



SECOND: MINA ABDULLAH PORT GROUP OF PLANTS

In 2021, total sales were KWD 19.92 million compared to 2020 total sales of KWD 16.28 million,with an increment of 22% and 2% of the estimated sales of 2021.

Product	Sales 2021	Sales 2020	Ratio of sales of 2021 compared with 2020
Dehydrated Lime	934,154	642,990	45%
Hydrated Lime	98,453	74,002	33%
Limestone	1,732,547	1,660,583	4%
Quarry	76,934	68,826	12%
Filler - Dolomite	75,301	117,218	(36)%
White Blocks (A.A.C.)	8,426,505	6,282,974	34%
Lintels	577,091	356,930	62%
Mortar	381,118	304,828	25%
Tile Adhesive - Roof Coating	1,320,171	990,878	33%
Cladding	2,343,163	2,015,821	16%
Plastic Pipes (PVC)	1,824,191	1,939,188	(6)%
HDPE Pipes	1,173,290	984,403	19%
Paints	340,057	273,836	24%
Commercials	86,595	121,584	(29)%
Transport	532,376	451,100	18%



THIRD: MOST IMPORTANT ACHIEVEMENTS DURING 2021

MOST IMPORTANT COMPLETED PROJECTS:

1) Mina Abdullah Group Plants

1. Due to the increment of the sales of mortar and cladding plant which exceeded 9000 bags a day, production unit “c” of the limestone bricks plant has been developed, and instruments of mixing and drying and packing have been added, thus mortar and cladding plant increased its productivity to reach 3000 bags a day as an initial step.
2. A new store for the cladding and mortar plant with a capacity of 30 thousand bags has been added.
3. A grinder for sand with a power of 5 tons/hr. has been added to the A.A.C plant in order to increase the productivity of the white blocks.
4. Developing the mixing system and adding a mixture and a brick trolly in order to increase the productivity of A.A.C plant.
5. Exploiting unused energy in the limestone factory and producing camant blocks with new recordsin the fourth quarter in 2021, in order to meet the requirements of the local market with competetive prices.
6. Performing a copmrehensive maintenance and developing the filler plant and the grinder, with installment of an integrated electronic system for increasing the productive capacity of the filler and cement.

2) SULAIBIYA Group Plants:

1. Increasing the productive capacity of the Ready mix plants in Mina Abdullah by transferring and assembling and operating a ready mix station with a capacity of 200 sqm/hour, in Zoor plant.
2. Increasing the productive capacity of the ready mix plants in Sulaibiya, through transferring, assembling and operating a ready mix station with a capacity of 200 sqm/hour, in Zoor plant.
3. Working on transferring and assembling two ready mix stations with 240 sqm/hour capacity, in AlMitlaá residental city.
4. Adding new types of interlock products (the wooden shape type and the multicolored type).
5. Installing a roughing machine to produce the rough interlock with a competetive price.
6. Continuing the project of productive pioneers to encourage the engineers to invent project with positive income to develop and improve the working environment in the productive factories and developing the products.
7. Developing the systems of measuring and controlling in the productive plants.

FOURTH: SUBSIDIARIES AND AFFILIATES

A. SUBSIDIARIES

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

- Established in 15/06/2004 as an executive arm to NIC for the constructing and building projects. The financial results of 2021 showed profits of KWD 8,048 for loss of KWD 55,610 in 2020, noting that the total shareholders' equity was KWD 587,894 with a capital of KWD 500,000.

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

- The Company achieved profits of KWD 180,384 in 2021, for loss of KWD 1,036,619 in 2020.
- Company's products have been endorsed by all Kuwaiti ministries.
- Company's products are included in the subsidized building materials and supplies of housing applicants.

3. Saudi Company for Brick Insulation
(Riyadh & Jeddah, Kingdom of Saudi Arabia - Ownership 50% of the capital of SAR 100 million)

- The Company incurred activity loss of SR 20,433,156 in 2021 for loss of SR 11,161,327 in 2020.
- Sales of 2021 have amounted to SAR 392,125, compared to SAR 102,519 in 2020 due to production ceased in the company's factories.
- Study is currently under way to restructure, merge or liquidate the company

B. AFFILIATES:

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

- The company incurred loss of B.D 182,915 in 2021, compared to loss of 375,817 in 2020.

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

- The company is in liquidation.

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

- All production lines have been put into operation.
- The company works on marketing its products in all GCC states.
- The company incurred loss of OMR 1,005,059 in 2021 to a loss of OMR 156 thousand in 2020
- Currently the company The company has enough contracts to cover the production capacity for 2022.

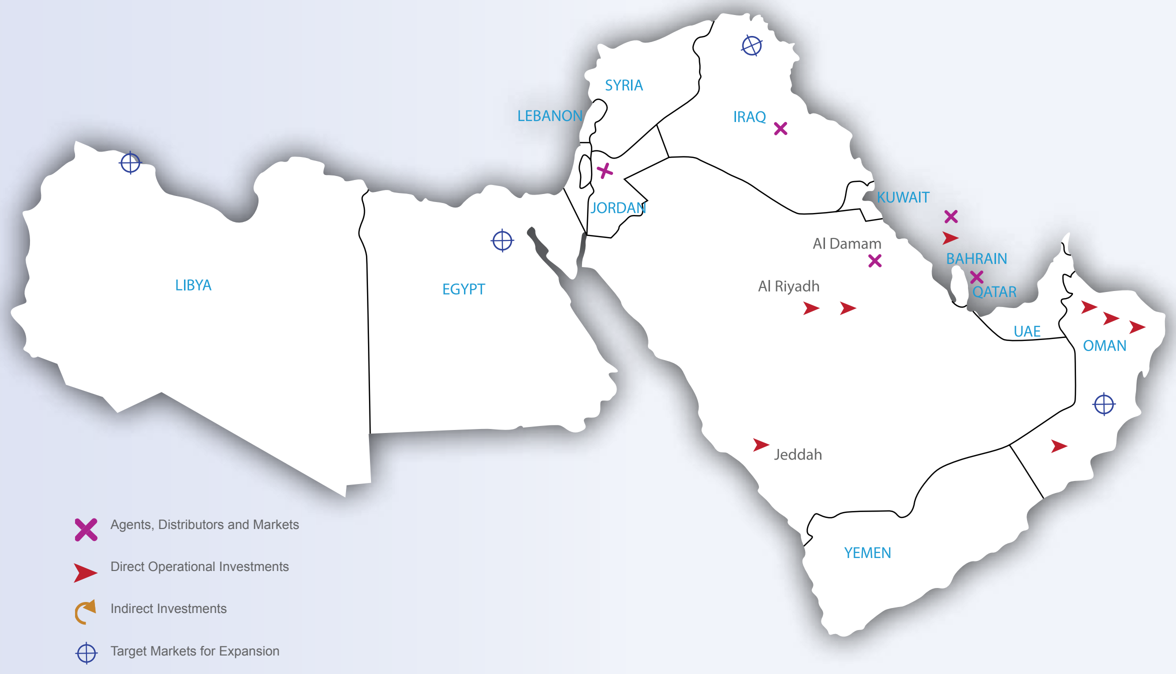
4. **Al-Raya International Real Estate Company**
   (Kuwait - NIC Ownership 25.32%, Capital of KWD 250 thousand).

- The company incurred loss of KWD 47,000 for the fiscal year ended in 2021, according to the Financial Statements provided by Company's management, against loss of KWD 84,000 in 2020.
- The company is in liquidation.

5. **Saudilime Industries Company**
   (Riyadh - NIC Ownership 10%).

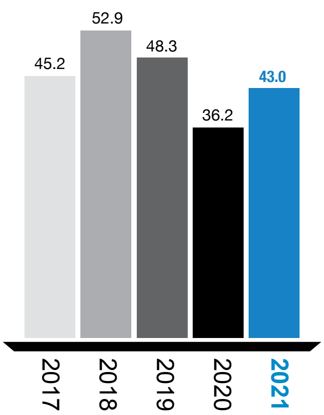
- The company achieved net profits of SAR 7.10 million in 2021.
- The company has completed its production expansion program, and all stoves are being operated efficiently.

Company's Regional Investments & Distributors

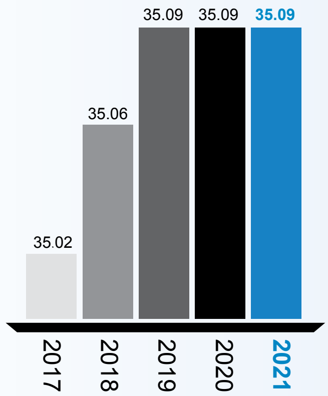


NIC Financial Performance (2017 - 2021)

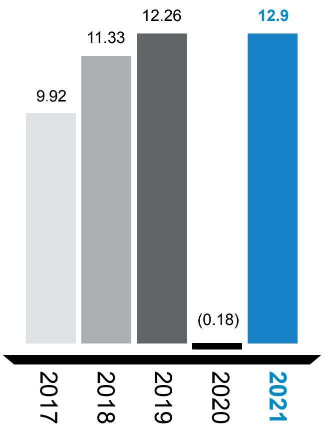
Item	2021	2020	2019	2018	2017
Capital (KD)	35,089,162	35,089,162	35,089,162	35,058,421	35,021,251
Sales (KD)	43,047,066	36,193,369	48,348,951	52,923,210	45,141,856
Invested Assets (KD)	121,200,530	118,263,144	114,384,102	112,032,229	113,738,560
Shareholders' Equity (KD)	88,556,887	84,256,302	143.84,099	83,957,502	84,996,627
Net Profit (KD)	4,513,851	(63,334)	4,292,645	3,969,302	3,223,553
Dividend (fils)	12.9	(0.18)	12.26	11.33	9.19
Book Value (fils)	252	240	240	239	243
Return on Equity	5.097%	(0.075%)	5.1%	4.73%	3.79%
Dist. Profit Cash (fils)		-	10	10	8
Dist. Profit Bonus		-	–	–	–



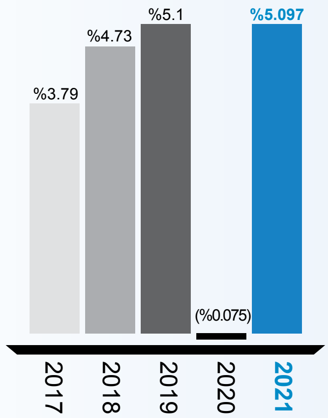
Capital *(KD million)*



Sales *(KD million)*



Return on Equity *(%)*



Dividend *(fils)*

Governance 2021

The National Industries Company K.S.C. is committed to applying the principles of corporate governance and all related regulatory and legal requirements. The Board of Directors is also committed to its legal duties to preserve the interests of the company and shareholders by making every effort to effectively manage the business and affairs of the company. Over the past year, the Board of Directors has continued to develop the corporate governance framework to ensure the application of corporate governance standards in accordance with best practices.

The Board of Directors has approved the Company's Corporate Governance Manual; It is continuously updated in accordance with all legal and regulatory requirements related to governance rules.

The company keens to issue a governance report on an annual basis to indicate the rules of professional conduct, the institutional values observed by the company, and the policies and procedures binding on the members of the company's board of directors and its employees.

FIRST RULE
BUILDING A BALANCED BOARD STRUCTURE

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

Board of Directors meetings in 2021:

Member	Meeting 1 dated in 11/1/2021	Meeting 2 dated in 17/3/2021	Meeting 3 dated in 4/4/2021	Meeting 4 dated in 10/5/2021	Meeting 5 dated in 12/8/2021	Meeting 6 dated in 4/11/2021	Number of meetings held
Mr. Abdulaziz Ibrahim Al-Rabiah (Chairman)	✓	✓	✓	✓	✓	✓	6
Dr. Adel Khaled Al Subeih (Deputy Chairman)	✓	✓	✓	✓	✓	✓	6
Mr. Abdullrahman Shaikhan Al-Farisi (Independent Director)	✓	✓	✓	✓	✓	✓	6
Mr. Ahmad Mohammad Hassan (Director)	✓	✓	✓	✓	✓	✓	6
Mr. Hamad Mohammed Al-Saad (Director)	✓	✓	✓	✓	✓	✓	6
Mr. Hani M. Fadel (Board Secretary)	✓	✓	✓	✓	✓	✓	6

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

- The Board of Directors appointed Mr. Hani Mohamed El-Sherbiny, Secretary of the Board of Directors, in accordance with the Board Decision No. 2 of 2019 among the company employees.
- The Secretary of the Board of Directors ensures proper communication and distribution of the information, and coordinats among the members of the Board and between the Board and other stakeholders in the company, including shareholders, management and employees. beside recording, coordinating and saving all the minutes of the Council's meetings, all records, books and reports are submitted to and from the Council. The minutes of the meeting are kept in a hard copy and a soft copy.
- The minutes are arranged sequentially and the location and date of the meeting are specified therein.
- The Secretary of the Board of Directors signs the minutes of meeting by himself and the members present.

The Independent Board Member

- Mr. Abdullrahman Shaikhan Al-Farisi is the independent Board Member, who meets the required criteria of the independent member in accordance to the rules of companies governance.
- Mr. Abdullrahman Shaikhan Al-Farisi acknowledges that he has the independency which helps the Board of Directors to take sound decisions that contribute to achieving the interests of the company, and that he is able to carry out his duties, express his views and vote on decisions objectively and impartially.


NATIONAL INDUSTRIES COMPANY

إقرار العضو المستقل

وفقاً للمبادئ الرئيسية للحوكمة الصادرة عن هيئة أسواق المال

التاريخ : 2022/3/16

SECOND RULE
PROPER IDENTIFICATION OF TASKS AND RESPONSIBILITIES

The Board of Directors works on achieving the company's strategic goals by ensuring that the executive management performs the tasks entrusted to it to the fullest extent, as it works to enhance the company's competitiveness, achieve high growth rates, maximize profits, and ensure that all decisions and procedures of the executive management are among the interest of the shareholders . The board of directors in the company is considered the point of balance that works on achieving the objectives of the shareholders and following up the executive management through the tasks and responsibilities entrusted to each of the board of directors and the executive management and which are described in the organizational structure of the company, and this is done by defining the tasks, responsibilities, and duties of each of the board members and the executive management in detail, as well as the powers and authorities that are delegated to the executive management.

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

• **Board of Directors Achievements in 2021:**

The Board of Directors held 6 meetings during the fiscal year ending on 31/12/2021 and passed the following decissions:

- Develop the company's strategic plan and interim goals and supervise its implementation and follow-up.
- Discussing and approving the company's estimated budget, as well as the company's interim and annual financial statements.
- Develop and approve the company's annual business plan.
- Overseeing the executive management of the company, including the CEO.
- The Board of Directors has made a clear separation between the position of the Chairman of the Board of Directors and that of the Chief Executive Officer, to ensure that the independence of decisions taken by either of them is not affected.
- The Board of Directors supervises and controls the executive management of the company and ensures that it performs the tasks and duties entrusted to it in accordance with the policies approved by the Board of Directors in order to achieve the company's purposes and objectives.
- Forming committees emanating from the board of directors and defining the duration, powers and responsibilities of these committees.
- Follow up the progress of the company's work periodically through periodic meetings with the company's executive management.
- Supervising the application of administrative and financial regulations and systems and ensuring their proper application.

COMMITTEES OF THE BOARD OF DIRECTORS

First: The Internal Audit and Risk Management Committee:

The Board of Directors formed the committee at the Board of Directors meeting No. 3 of 2019 on 2/5/2019.

Formation of the committee:

Mr. Ahmed Mohamed Hassan	Chairman of the Committee
Mr. Abdullrahman Shaikhan Al-Farisi	Member
Mr. Hamad Mohammad Al-Saad	Member

- The Committee held 5 meetings during the year 2021.
- The quorum for holding the committee's meeting is complete in the presence of two members.
- The term of membership in the committee is (3) years or the entitlement to the elections of the Board of Directors, whichever comes first.

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

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

Second: Nominations and Remuneration Committee:

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

Formation of the committee:

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

- The committee held one meeting during 2021.
- The legal quorum for committee's meetings shall be constituted when two members are present.
- The committee membership term is (3) years, or the board elections shall be established, whichever comes first.

TASKS AND ACHIEVEMENTS OF THE NOMINATION AND REMUNERATION COMMITTEE

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

RIGHTS OF BOARD MEMBERS TO ACCESS INFORMATION AND DATA

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

THIRD RULE

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

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

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

First: Remuneration of Board Members:

In 2021, members of the board of directors did not get any remunerations for the fiscal year ended in 31/12/2020.

Remunerations and Benefits of Board Members

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

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

	Remunerations and benefits through the parent company							Remunerations and benefits through subsidiaries						
	Fixed Remuneration and Benefits (KWD)						Variable Remuneration and Benefits (KWD)	Fixed Remuneration and Benefits (KWD)						Variable Remuneration and Benefits (KWD)
Total number of executive positions	Monthly salaries (total during the year)	Medical insurance	Annual tickets	housing allowance	Transportation allowance	Children education allowance	Annual bonus (shares)	Monthly salaries (total during the year)	Medical insurance	Annual tickets	housing allowance	Transportation allowance	Children education allowance	Annual bonus (shares)
7	KD 561,316	-	-	-	KD 14,310	-	358,013 Shares	-	-	-	-	-	-	-

- During 2021, there were no significant deviations from the remuneration policy in force in NIC.

FOURTH RULE
ENSURING THE INTEGRITY OF FINANCIAL REPORTS

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

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

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

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

The Internal Audit and Risk Management Committee consisted of three members. One of its members is independent. It has been taken into account that its membership shall not be obtained by the chairman or the executive board members. It has also been taken into account that the committee members shall include at least one member with educational background and practical experience in the financial and investment fields. There is no conflict between the recommendations of the Internal Audit and Risk Management Committee and the decisions of the Board of Directors issued during the fiscal year ended on 31/12/2021.

Independence and Impartiality of External Auditor:

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

During the General Assembly meeting held on 22/4/2021, the NIC's shareholders agreed to reappoint Mr. Abdullatif Mohammed Al-Aiban from Grant Thornton – Al-Qatami, Al-Aiban & Partners, as NIC's auditor in 2021, allowing the Board of Directors to determine his fees.

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

FIFTH RULE

ESTABLISHING SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

SIXTH RULE

PROMOTING PROFESSIONAL CONDUCT AND ETHICAL VALUES

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

SEVENTH RULE

ACCURATE AND TIMELY DISCLOSURE AND TRANSPARENCY

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

EIGHTH RULE
RESPECTING RIGHTS OF SHAREHOLDERS

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

NINTH RULE
UNDERSTANDING ROLE OF STAKEHOLDERS

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

TENTH RULE
ENHANCING AND IMPROVING PERFORMANCE

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

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

(Transparency, Credibility, Integrity, Fairness, Accountability, Teamwork, Respect, Innovation, Competitiveness, Quality, Development and Continuous Improvement).

ELEVENTH RULE
IMPORTANCE OF SOCIAL RESPONSIBILITY

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

1. Contributing to meet the needs of community in the field of employment and training.
2. Providing a safe and stable work environment for all employees in the various NIC's subsidiaries to enable them job security and stability.
3. Creating a national workforce with the proportion determined by the laws and regulations governing in order to create opportunities for national graduates to obtain suitable work and support them with special programs for training and development in order to uplift them to the highest levels of employment.
4. Supporting community and protecting the environment, in terms of commitment to the compatibility of the product provided by NIC to the community with the environment. NIC is continuing its efforts in adopting and implementing many community service programs that are consistent with NIC's mission and values.
5. NIC launched a national initiative to support and encourage the use of energy-saving LED lighting systems, which achieve savings for the citizen and the State at the same time.
6. NIC offered the LED lights for sale to the public in its four sales centers at nominal prices below the market prices in order to promote their use.
7. Encouraging individuals to save energy by applying thermal insulation systems and confirming its impact on saving energy in Kuwait.
8. The company supports some graduation projects related to its field of work, and receives students to do studies and master theses about the company's business and its various activities.
9. With the launch of the building permissions, NIC conducted workshops for some committees in the new residential areas and areas that had not been distributed yet, and courses on how to select the contractor and the required building materials.
10. Offering promotions to the contractors, supply chains, engineering consulting offices and laboratories.
11. Examination of some materials in the sight of citizens and showing the differences between strength and hardness to distinguish the best, beside showing the optimum methods of selecting the most appropriate iron, white bricks, complete insulation system and complete survey.
12. Informing citizens of the steps to be followed for the nevessary governmental transactions needed for the construction process.

Among the most prominent mechanisms used to highlight the role of the company:

- The company's website, the daily newspapers, the report of the board of directors which includes the governance report.
- The company's website on social media.

Internal Audit Committee’s 2021 Report

STATEMENT OF THE HEAD OF THE COMMITTEE

As the National Industries Company (K.S.C.P) adheres to Law No. 7 of 2010 on establishing the Capital Markets Authority and its executive regulations, as amended, and the provisions of chapter 5 of the Executive Regulations of the Capital Markets Authority (Corporate Governance), it has created the Internal Audit Committee as one of the Board’s Committees. The role of the Audit Committee is mainly to assist the Board of Directors in performing its responsibilities related to the integrity of the interim and annual financial statements, follow up the performance of the external auditors and monitor the functionality of the internal audit, in addition to the ethical standards that NIC follows in a form that is appropriate to the regulatory requirements in force in this regard.

Formation of Internal Audit Committee:

The Board of Directors has formed the Internal Audit Committee, pursuant to the Board Resolution No. 3 of 2019, as follows:

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

The committee held 5 meetings during 2021, as follows:

Name of member	Meeting (1) held in 17/3/2021	Meeting (2) held in 4/4/2021	Meeting (3) held in 10/5/2021	Meeting (4) held in 12/6/2021	Meeting (5) held in 4/11/2021	Number of meetings
Mr. Ahmad Mohammed Hassan (Committee Head)	✓	✓	✓	✓	✓	5
Mr. Abdul Rahman Shikhan El Farisi (Member)	✓	✓	✓	✓	✓	5
Mr. Hammad Mohammed El Saad (Member)	✓	✓	✓	✓	✓	5

It is of our pleasure to present herein the report that states the achievements of the committee during the financial year ended in 31/12/2021 detailed as the following..

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

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

Achievements of Internal Audit and Risk Management Committee

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

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

2. **Auditing and approving the NIC's 2021 estimated balance sheet:**

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

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

   The Internal Audit and Risk Management Committee submitted a recommendation to the Board of Directors to appoint Mr. Abdullatif Mohammed Al-Aiban from Grant Thornton – Al-Qatami, Al-Aiban & Partners, as NIC's auditor in 2021.

Commettee Head
Ahmad Mohammad Hassan

Limestone and Decorative Bricks

Consolidated Financial Statements and Independent Auditor's Report

National Industries Company - KPSC
and Subsidiaries - KUWAIT
31 December 2021

Contents

Grant Thornton
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Independent Auditor's Report

To the Shareholders of
National Industries Company - KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Company - KPSC ("Parent Company") and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

Revenue is measured based on the consideration, that the Group expects to be entitled as per the customer contract. The Group recognizes revenue when it transfers control over a product or service to a customer. The Group follows the five step model to recognize revenue as disclosed in the accounting policy related to revenue recognition (note 5.4). This is an area of audit focus as management assumptions are required to apply the revenue recognition criteria to each separately identifiable component of revenue. This can result in circumstances which require careful consideration to determine how revenue should be recognized.

Independent Auditor's Report to the Shareholders of National Industries Company – KPSC (continued)

Revenue recognition (continued)

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

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

The Group's disclosures about revenue recognition are included in Note 5.4 and Note 8. Revenue by segment is disclosed in Note 33.

Valuation of financial assets at fair value through OCI

The Group's investments in unquoted financial assets at fair value through other comprehensive income represent a significant part of the total assets. Due to their unique structure and terms of such investments, the valuation of such investments is based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets. Therefore, there is significant measurement uncertainty involved in this valuation. As a result, the valuation of these investments was significant to our audit and consequently determined to be a key audit matter. The Group's disclosures about such unquoted financial assets at fair value through other comprehensive income are included in Note 5.15.3, Note 18 and Note 39.

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio. Agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information included in the Group Annual Report for the year ended 31 December 2021

Management is responsible for the "other information". "Other information" consists of the information included in the Group's Annual Report for the year ended 31 December 2021, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2021 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
16 March 2022

Consolidated Statement of Profit or Loss

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Continued Operations			
Revenue			
Revenue from sales and contacts with customers	8	**43,047,066**	36,193,369
Cost of sales and contacts with customers		**(33,007,575)**	(30,097,611)
Gross profit		**10,039,491**	6,095,758
Other operating income	9	**951,235**	832,533
Investment income	10	**1,294,156**	114,948
Change in fair value of investment properties	16	**520,000**	48,800
Share of results of associates	17	**(104,624)**	(192,287)
Foreign exchange (loss)/gain		**(4,174)**	2,252
		12,696,084	6,902,004
Expenses and other charges			
Distribution expenses		**(2,559,321)**	(2,316,186)
General, administrative and other expenses		**(3,835,311)**	(4,153,745)
Finance costs		**(66,777)**	(60,440)
Impairment in value of receivables and other assets	22	**(227,469)**	(190,207)
Profit before provision for contribution to KFAS, NLST, Zakat and Directors' remuneration		**6,007,206**	181,426
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(44,088)**	-
Provision for National Labour Support Tax (NLST)		**(136,512)**	(8,283)
Provision for Zakat		**(54,230)**	(3,188)
Board of Directors' remuneration		**(150,000)**	-
Profit for the year from continued operations		**5,622,376**	169,955
Discontinued operations			
Loss for the year from discontinued operations	7.2	**(1,643,743)**	(900,049)
Profit / (loss) for the year	12	**3,978,633**	(730,094)
Attributable to:			
Owners of the Parent Company		**4,513,851**	(63,334)
Non-controlling interests		**(535,218)**	(666,760)
Profit/(loss) for the year		**3,978,633**	(730,094)
Basic earnings/(loss) per share attributable to the owners of the parent company			
- From continued operations		**15.25**	1.11
- From discontinued operations		**(2.35)**	(1.29)
Total – Fils	13	**12.9**	(0.18)
Diluted earnings/(loss) per share attributable to the owners of the Parent Company			
- From continued operations		**15.2**	1.10
- From discontinued operations		**(2.34)**	(1.28)
Total – Fils	13	**12.86**	(0.18)

The notes set out on pages 40 to 86 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Profit/(loss) for the year	**3,978,633**	(730,094)
Other comprehensive income:		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences from translation of foreign operations	**(24,215)**	5,187
Share of other comprehensive income/(loss) of associates	**1,099**	(3,660)
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(23,116)**	1,527
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Investments at fair value through other comprehensive income:		
- Net change in fair value during the year	**(98,491)**	3,529,681
Total other comprehensive (loss)/income	**(121,607)**	3,531,208
Total comprehensive income for the year	**3,857,026**	2,801,114
Total comprehensive income attributable to:		
Owners of the Parent Company	**4,399,231**	3,465,808
Non-controlling interests	**(542,205)**	(664,694)
	3,857,026	2,801,114

The notes set out on pages 40 to 86 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	31 Dec. 2021 KD	31 Dec. 2020 KD
Assets			
Non-current assets			
Property, plant and equipment	14	21,067,347	22,340,769
Right of use assets	15	3,365,624	4,844,593
Investment properties	16	8,350,000	4,800,000
Investment in associates	17	1,392,128	1,581,739
Investments at fair value through other comprehensive income	18	29,106,655	29,311,867
		63,281,754	62,878,968
Current assets			
Murabaha investment	19	-	4,851,974
Inventories and spare parts	20	24,040,483	22,364,356
Investments at fair value through profit or loss	21	3,048,993	2,150,699
Accounts receivable and other assets	22	11,711,808	11,328,639
Fixed deposits	23	6,050,000	1,050,000
Cash and bank balances	24	8,804,726	7,326,339
		53,656,010	49,072,007
Assets included in disposal group classified as held for sale	7.2	4,262,766	6,312,169
Total assets		121,200,530	118,263,144
Equity and liabilities			
Equity			
Share capital	25	35,089,162	35,089,162
Share premium	25	32,565,638	32,565,638
Treasury shares	26	(239,517)	(253,830)
Legal reserve	27	6,473,992	5,984,124
Voluntary reserve	27	913,247	668,313
Staff bonus shares reserve	35	198,565	316,465
Other components of equity	28	9,941,615	9,943,582
Retained earnings/(accumulated losses)		3,614,184	(57,152)
Total equity attributable to the owners of the Parent Company		88,556,886	84,256,302
Non-controlling interests		3,507,941	4,050,146
Total equity		92,064,827	88,306,448
Non-current liabilities			
Provision for land filling expenses	29	531,208	512,194
Lease liabilities - non-current portion	30	2,018,457	3,009,931
Provision for employees' end of service benefits		7,154,650	6,960,766
		9,704,315	10,482,891
Current liabilities			
Due to banks	24	1,147,192	1,404,610
Lease liabilities – current portion	30	1,009,996	1,484,795
Murabha payable	31	378,667	-
Accounts payable and other liabilities	32	16,750,818	16,048,000
		19,286,673	18,937,405
Liabilities included in disposal group classified as held for sale	7.2	144,715	536,400
Total liabilities		29,135,703	29,956,696
Total equity and liabilities		121,200,530	118,263,144

Abdul Aziz Ibrahim Al-Rabia
Chairman

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

The notes set out on pages 40 to 86 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Equity attributable to the owners of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Legal Reserve KD	Voluntary reserve KD	Staff bonus shares reserve KD	Other components of equity (note 28) KD	Retained earnings/ (accumulated losses) KD	Sub-Total KD	Non-controlling interests	Total
Balance as at 1 January 2021	**35,089,162**	**32,565,638**	**(253,830)**	**5,984,124**	**668,313**	**316,465**	**9,943,582**	**(57,152)**	**84,256,302**	**4,050,146**	**88,306,448**
Purchase of treasury shares	-	-	(98,647)	-	-	-	-	-	(98,647)	-	(98,647)
Issue of staff bonus shares (note 35)	-	-	112,960	-	-	(117,900)	4,940	-	-	-	-
Transactions with the owners	-	-	14,313	-	-	(117,900)	4,940	-	(98,647)	-	(98,647)
Profit/(loss) for the year	-	-	-	-	-	-	-	4,513,851	4,513,851	(535,218)	3,978,633
Other comprehensive loss for the year	-	-	-	-	-	-	(114,620)	-	(114,620)	(6,987)	(121,607)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(114,620)	4,513,851	4,399,231	(542,205)	3,857,026
Transfer of realised loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	-	107,713	(107,713)	-	-	-
Transferred to reserves	-	-	-	489,868	244,934	-	-	(734,802)	-	-	-
Balance as at 31 December 2021	**35,089,162**	**32,565,638**	**(239,517)**	**6,473,992**	**913,247**	**198,565**	**9,941,615**	**3,614,184**	**88,556,886**	**3,507,941**	**92,064,827**
Balance as at 1 January 2020	35,089,162	32,565,638	(364,720)	5,984,124	668,313	235,375	6,416,530	3,504,721	84,099,143	4,714,840	88,813,983
Cash dividends (note 34)	-	-	-	-	-	-	-	(3,498,539)	(3,498,539)	-	(3,498,539)
Purchase of treasury shares	-	-	(70,267)	-	-	-	-	-	(70,267)	-	(70,267)
Cost of share-based payments (note 35)	-	-	-	-	-	260,157	-	-	260,157	-	260,157
Issue of staff bonus shares (note 35)	-	-	181,157	-	-	(179,067)	(2,090)	-	-	-	-
Transactions with the owners	-	-	110,890	-	-	81,090	(2,090)	(3,498,539)	(3,308,649)	-	(3,308,649)
Loss for the year	-	-	-	-	-	-	-	(63,334)	(63,334)	(666,760)	(730,094)
Other comprehensive income for the year	-	-	-	-	-	-	3,529,142	-	3,529,142	2,066	3,531,208
Total comprehensive income/ (loss) for the year	-	-	-	-	-	-	3,529,142	(63,334)	3,465,808	(664,694)	2,801,114
Balance as at 31 December 2020	35,089,162	32,565,638	(253,830)	5,984,124	668,313	316,465	9,943,582	(57,152)	84,256,302	4,050,146	88,306,448

The notes set out on pages 40 to 86 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
OPERATING ACTIVITIES			
Profit for the year on the continued operations		**5,622,376**	169,955
Adjustments:			
Depreciation of property, plant and equipment		**2,815,461**	3,284,121
Amortization of right of use Assets		**1,478,969**	886,731
Change in fair value of investment properties		**(520,000)**	(48,800)
Loss on write off of property, plant and equipment		**3,547**	1,841
Share of results of associates		**104,624**	192,287
Dividend income from investments at fair value through other comprehensive income		**(151,638)**	(307,610)
Income from murabaha investment		**(103,784)**	(193,936)
Cost of share-based payment		**-**	260,157
Interest income and other income		**(41,381)**	(6,994)
Finance costs		**66,777**	60,440
Foreign exchange loss on non-operating assets and liabilities		**-**	9,037
Provision for land filling expenses		**19,014**	29,123
Impairment in value of receivable and other assets		**227,469**	190,207
Provision for employees' end of service benefit		**571,809**	932,481
		10,093,243	5,459,040
Changes in operating assets and liabilities:			
Inventories and spare parts		**(1,676,127)**	(1,502,611)
Investments at fair value through profit or loss		**(898,294)**	472,897
Accounts receivable and other assets		**(1,763,653)**	967,686
Accounts payable and other liabilities		**1,855,833**	1,350,292
Operating cash flow		**7,611,002**	6,747,304
Employees' end of service benefit paid		**(377,925)**	(657,217)
Net cash from continuing operations		**7,233,077**	6,090,087
Net cash used in discontinued operations	7.2	**(107,023)**	(1,947,551)
Net cash flows from operating activities		**7,126,054**	4,142,536

The notes set out on pages 40 to 86 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)

	Note	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
INVESTING ACTIVITIES			
Additions of property, plant and equipment		(1,545,586)	(1,801,527)
Purchase of and additions to investment property		(3,030,000)	(3,031,200)
Purchase of investments at fair value through other comprehensive income		(12,863)	(246,702)
Proceed from dividends of an associate		75,847	-
Proceed from sale/redemption of investments at fair value through OCI		119,585	733,161
Murabaha Investment		4,851,974	65,790
Dividend income received from investments at fair value through other comprehensive income		151,638	281,018
Fixed deposits		(3,000,000)	38,979
Income received from murabaha investments		103,784	201,858
Interest income and other income received		41,381	6,994
Net cash used in continuing operations		(2,244,240)	(3,751,629)
Net cash from discontinued operations	7.2	-	2,496,152
Net cash flows used in investing activities		(2,244,240)	(1,255,477)
FINANCING ACTIVITIES			
Murabaha payable		378,667	(507,154)
Purchase of treasury shares		(98,647)	(70,267)
Finance costs paid		(66,777)	(60,440)
Lease liabilities paid		(1,466,275)	(614,795)
Dividends paid		-	(3,445,984)
Net cash flows used in financing activities		(1,253,032)	(4,698,640)
Net increase/(decrease) in cash and cash equivalents		3,628,782	(1,811,581)
Cash and cash equivalents at beginning of the year		6,484,994	8,296,575
Cash and cash equivalents attributable to the disposal group	7.2	(456,242)	(563,265)
Cash and cash equivalents at end of the year	24	9,657,534	5,921,729

The notes set out on pages 40 to 86 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. INCORPORATION AND ACTIVITIES

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

The main objectives of the Parent Company are as follows:

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

The Group comprises the Parent Company and its subsidiaries (note 7).

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

These consolidated financial statements were authorised for issue by the board of directors of the Parent Company on 16 March 2022 subject to approval of the shareholders' general assembly of the Parent Company.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared under historical cost convention except for investment properties, financial assets at fair value through profit or loss and investments at fair value through other comprehensive income.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

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

3. STATEMENT OF COMPLIANCE

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

4. CHANGES IN ACCOUNTING POLICIES

4.1 New and amended standards adopted by the Group

No new amendments or standards were effective for the current reporting period except for the extension of the IFRS 16 amendment discussed below.

Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021

The IFRS 16 Leases amendment relate to Covid19 Rent Related Concessions that has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

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

4.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

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

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

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

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

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

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

IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination

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

IAS 1 Amendments - Classification of current or non-current

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

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

IAS 1 Amendments – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

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

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 provide an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

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

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

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

Annual Improvements 2018-2020 Cycle

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

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

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

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements. The details of the subsidiaries are set out in Note 7 to the consolidated financial statements.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.2 Business combinations

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

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

5.3 Segment reporting

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

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

5.4 Revenue recognition

The Group recognises revenue from the following major sources:

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

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

The Group follows a 5-step process:

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

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

5.4.1 Sale of goods building materials and infrastructure products

Sale of goods is recognised when the Group has transferred control over goods to customers, generally when the customer has taken undisputed delivery of the goods.

5.4.2 Construction contracts

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

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

5.4.3 Rendering of services

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

5.5 Interest and similar income

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

5.6 Dividend income

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

5.7 Operating expenses

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

5.8 Borrowing costs

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

5.9 Taxation and other statutory contributions

5.9.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Kuwait Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, cash dividends from listed companies which are subjected to NLST.

5.9.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Accumulated losses brought forward can be deducted from the adjusted profit for the year when calculating the KFAS contribution for the year.

5.9.3 Zakat

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

Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5.9.4 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. A discontinued operation represents a separate major line of the business. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation (see also Note 5.24 and Note 7.2).

5.10 Property, plant and equipment

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

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

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

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

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

5.11 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

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

Measurement and recognition of leases as a lessee

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

Right-of-use asset

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

Subsequent to initial measurement, the Group depreciates the right-of-use assets (which are not classified as investment properties) on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Subsequent to initial measurement, the Group accounts for certain of its right-of-use assets as investment properties carried at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value is immediately recognised in the consolidated statement of profit or loss.

Lease liability

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

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

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

The Group as a lessor

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

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

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

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

5.12 Investment properties

Investment Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property or are determined by the management of the Group based on their knowledge of the property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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

5.13 Investment in associates

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

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

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

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

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

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

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

5.14 Inventories

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

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

5.15 Financial instruments

5.15.1 Recognition, initial measurement and derecognition

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

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

5.15.2 Classification of financial assets

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

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

The classification is determined by both:

• the entity’s business model for managing the financial asset

• the contractual cash flow characteristics of the financial asset.

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; (5.15.3 below) and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as

measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the period presented no such designation has been made.

5.15.3 Subsequent measurement of financial assets

• Financial assets at amortised cost

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

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

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

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

- *Bank balances, cash and short-term deposits*

Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- *Accounts receivable and other assets*

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

- *Due from related parties*

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

• Financial assets at FVOCI

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

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

• Debt instruments at FVOCI

The Group accounts for debt instruments at FVOCI if the assets meet the following conditions:

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

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

Equity instruments at FVOCI

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

A financial asset is held for trading if:

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

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

Subsequently, these assets are measured at fair value. Dividend on these investments in equity instruments are recognised in the consolidated statement of profit or loss. All other gains and losses are recognised in other comprehensive income (accumulated in the fair value reserve) and are never reclassified to profit or loss. Transfers of realised gains on disposal within components of equity (to retained earnings) are done based on management discretion.

• Financial assets at FVTPL

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

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

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

5.15.4 Impairment of financial assets

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

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

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

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

magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.The Group always recognises lifetime ECL for trade receivables (the simplified approach). The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes to the Consolidated Financial Statements *(continued)*

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

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

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

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

5.15.5 Classification and subsequent measurement of financial liabilities

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

The subsequent measurement of financial liabilities depends on their classification as follows (The Group does not have any financial liabilities classified as at fair value through profit or loss):

Financial Liabilities at amortized cost

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

Payables and other liabilities

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

Due to related parties

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

Due to banks

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

Murabaha payable

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

5.15.6 Trade and settlement date accounting

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

5.15.7 Amortised cost of financial instruments

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

5.15.8 Offsetting of financial instruments

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

5.15.9 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured as provided in Note 39.

5.16 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

5.17 Equity, reserves and dividend payments

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

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

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

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwaiti Dinar ("KD")
- Fair value reserve – comprises gains and losses relating to investments at fair value through other comprehensive income.
- Treasury share reserve – comprise gains and losses on dealing in treasures shares (refer 5.18)

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

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

5.18 Treasury shares

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

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

5.19 Provisions, contingent assets and contingent liabilities

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

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

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

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

5.20 Foreign currency translation

5.20.1 Functional and presentation currency

The financial statements are presented in currency Kuwait Dinar (KD) which is also the functional currency of the Group.

5.20.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Parent Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary assets classified as, “fair value through profit or loss” is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and “fair value through OCI” are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.20.3 Foreign operations

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

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

5.21 Employees’ end of service benefits

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

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

5.22 Related parties transactions

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

5.23 Share-based payments

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

Equity-settled transactions

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

That cost is recognised, together with a corresponding increase in staff share bonus reserve in equity, over the period in which vesting conditions are fulfilled (note 35). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of profit or loss or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period and is recognised in employee benefits expenses.

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

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

5.24 Non-current assets and liabilities classified as held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations (see Note 5.9.4).

5.25 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

6. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Further, note 41 discusses the impact of COVID 19 on the preparation of the consolidated financial statements.

6.1 Significant management judgments

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

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.15). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Control assessment

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

6.1.3 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.4 are met requires significant judgement.

6.1.4 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6.1.5 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since

initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

6.2 Estimates uncertainty

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

6.2.1 Impairment of associates

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

6.2.2 Impairment of financial assets

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

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

6.2.3 Impairment of inventories

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

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

6.2.4 Impairment of right-of-use-of-assets

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

6.2.5 Useful lives of depreciable assets

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

6.2.6 Construction contract revenue

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

Notes to the Consolidated Financial Statements *(continued)*

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

6.2.7 Fair value of financial instruments

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

6.2.8 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.9 Significant influence

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

7. SUBSIDIARIES

The details of the subsidiaries are as follows:

7.1 Composition of the Group

		Percentage of ownership		
Name of Subsidiary	Country of incorporation	31 Dec. 2021 %	31 Dec. 2020 %	Purpose
Building Systems Industries Company – WLL (7.1.1)	Kuwait	98	98	Construction and contracting
National Industries Company for Ceramic - KSCC (7.1.2)	Kuwait	86.427	427.86	Manufacturing
SCOMI Oil Tools Gulf Company – WLL (7.1.3)	Kuwait	65	65	Practicing oil and gas wells operations and services
Kuwait Building Company for the Sale and Purchase of Land and Real Estate – WLL (7.1.4)	Kuwait	98	98	Buying and selling land and real estate
Saudi Insulation Bricks Company – WLL (held for sale) (7.2)	Saudi Arabia	50	50	Manufacturing

7.1.1 The Group has consolidated Building Systems Industries Company – WLL using the audited financial statements for the financial year ended 30 November 2021. The other shareholders who have 2% of the share capital have signed a waiver letter in favour of the parent company, and thus the financial statements of the subsidiary were consolidated at 100%.

7.1.2 The Group consolidated National Industries Company for Ceramic – KSCC using the management accounts for the financial year ended 31 December 2021.

7.1.3 The Group consolidated Scomi Oil Tools Gulf Company – WLL using the management accounts for the financial year ended 31 December 2021.

7.1.4 The Group consolidated Kuwait Building Company for the Sale and Purchase of Land and Real Estate – WLL using the management accounts for the financial year ended 31 December 2021.

Notes to the Consolidated Financial Statements *(continued)*

7. Subsidiaries (continued)

7.2 Disposal group classified as held for sale and discontinued operations

During the previous year and after the cessation of production in the factories of the Saudi Insulation Bricks Company - WLL. (Subsidiary company), the General Assembly of that subsidiary held on 26 March 2020 decided to approve its sale, liquidation or merger. The exit from the investment has been delayed due to the impact of COVID 19 pandemic and various other factors, however the Group's management is actively seeking to exit the investment and expects it to be completed during the year 2022. The group's ownership in this company is 50% of the capital. Consequently, the assets and liabilities assigned to this subsidiary have been classified as a disposal group held for sale from 31 December 2020. Furthermore, the revenues, expenses, profits and losses related to this subsidiary have been excluded from continuing operations of the group and were stated as a separate item in the consolidated statement of profit or loss under discontinued operations. The following is a summary of the operating results of the Saudi Insulation Brick Company – WLL up to the reporting date.

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Revenue		
Sales revenue	31,544	8,267
Cost of Sales	(18,585)	(218,382)
Gross profit/(loss)	12,959	(210,115)
Gain on sale of lands	-	387,377
Impairment loss on property, plant and equipment	(1,538,686)	-
Other operating income	1,244	-
	(1,537,442)	387,377
Expenses and other charges		
General and administrative expenses	(119,260)	(1,077,311)
	(119,260)	(1,077,311)
Loss for the year from discontinued operations	(1,643,743)	(900,049)
Non-controlling interests related to discontinued operations	(821,872)	(450,025)

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Assets		
Non-current assets		
Property, plant and equipment	3,768,126	5,309,038
	3,768,126	5,309,038
Current assets		
Inventories and spare parts	-	18,630
Receivables and other assets	38,398	421,236
Cash and bank balances	456,242	563,265
	494,640	1,003,131
Total assets included in the disposal group as held for sale	4,262,766	6,312,169
Current liabilities		
Payables and other liabilities	144,715	536,400
	144,715	536,400
Total liabilities included in the disposal group as held for sale	144,715	536,400
Net assets included in the disposal group	4,118,051	5,775,769
Non-controlling interests related to disposal group	2,059,022	2,887,880

Notes to the Consolidated Financial Statements *(continued)*

7. Subsidiaries (continued)
7.2 Disposal group classified as held for sale and discontinued operations (continued)

Cash flows generated from discontinued operations that are classified as held for sale are summarized below:

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Operating activities	(107,023)	(1,947,551)
Investing activities	-	2,496,152
Net cash flows	(107,023)	548,601

During the current year, the management of the parent company evaluated the buildings and land of the subsidiary's factory in Riyadh, Kingdom of Saudi Arabia, with a fair value of SAR44,791,000 equivalent to KD 3,603,208 (2020: SAR 43,094,000 equivalent to KD3,475,100).

Further, the management of the parent company obtained offers from external parties to sell the assets of that subsidiary, and based on the offers submitted and which are still under negotiation, the parent company's management confirms that the net assets value of the disposed group stated above represents the lowest estimate that can be achieved from selling that subsidiary company.

7.3 Subsidiaries with material non-controlling interests

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

Name of Subsidiary	Proportion of ownership interests and voting rights held by the NCI		(Loss)/profit allocated to NCI		Accumulated NCI	
	31 Dec. 2021 %	31 Dec. 2020 %	31 Dec. 2021 KD	31 Dec. 2020 KD	31 Dec. 2021 KD	31 Dec. 2020 KD
Saudi Insulation Bricks Company – WLL (Note 7.2)	50%	50%	(821,872)	(450,025)	2,059,022	2,887,880
National Industries Company for Ceramic – KSCC (see "a" below)	13.573%	13.573%	59,736	(43,620)	1,394,766	1,335,031
Individual immaterial subsidiaries with non-controlling interests			226,918	(173,115)	54,153	(172,765)
			(535,218)	(666,760)	3,507,941	4,050,146

No dividends were paid to the NCI during the years 2021 and 2020.

Notes to the Consolidated Financial Statements *(continued)*

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

a. National Industries Company for Ceramic -KSCC

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	12,432,945	13,188,333
Current assets	8,688,931	8,020,393
Total assets	21,121,876	21,208,726
Non-current liabilities	738,104	899,425
Current liabilities	15,954,243	16,060,156
Total liabilities	16,692,347	16,959,581
Equity attributable to the owners of the Parent Company	3,034,763	2,914,114
Non-controlling interests	1,394,766	1,335,031
Total equity	4,429,529	4,249,145

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Revenue	5,800,188	5,058,041
Profit/(loss) for the year attributable to the owners of the Parent Company	383,232	(729,983)
Profit/(loss) for the year attributable to NCI	59,736	(43,620)
Profit/(loss) for the year	442,968	(773,603)
Total comprehensive income/(loss) for the year attributable to the owners of the Parent Company	383,232	(729,983)
Total comprehensive income/(loss) for the year attributable to NCI	59,736	(43,620)
Total comprehensive income/(loss) for the year	442,968	(773,603)
Net cash flow from operating activities	414,149	1,281,651
Net cash flow used in investing activities	(546,478)	(391,368)
Net cash flow used in financing activities	(186,376)	(54,965)
Net cash flow	(318,705)	835,318

8. REVENUE FROM SALES AND CONTRACTS WITH CUSTOMERS

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Sale of building materials and infrastructure materials and Services	42,702,007	35,659,146
Contracting revenue	345,059	534,223
	43,047,066	36,193,369

9. OTHER OPERATING INCOME

	31 Dec. 2021 KD	31 Dec. 2020 KD
The State of Kuwait's support to address consequence of Covid-19	-	234,361
Investment property income	260,503	166,714
Other income	690,732	431,458
	951,235	832,533

10. INVESTMENT INCOME

	31 Dec. 2021 KD	31 Dec. 2020 KD
Dividend income from investments at fair value through other comprehensive income	151,638	307,610
Dividend income from investments at fair value through profit or loss	78,562	79,301
Unrealized gain/(loss) from investments at fair value through profit or loss	918,791	(472,893)
Income from Murabaha investment	103,784	193,936
Interest income and other income	41,381	6,994
	1,294,156	114,948

11. NET GAIN ON FINANCIAL ASSETS

Net gain on financial assets analysed by category, is as follows:

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Financial assets at amortised cost:		
- Interest on fixed deposits	37,175	4,595
- Income from Murabaha investment	103,784	193,936
- Impairment in value of receivables and other assets	(227,469)	(190,207)
Financial assets at FVTPL:		
- Unrealised gain/(loss)	918,791	(472,893)
- Dividend income	78,562	79,301
Financial assets at FVOCI:		
- recognised directly in other comprehensive income (including NCI share)	(98,491)	3,529,681
- recognised directly in consolidated statement of profit or loss as dividend	151,638	307,610
	963,990	3,452,023
Net gain/(loss) recognised in the consolidated statement of profit or loss	1,062,481	(77,658)
Net (loss)/gain recognised in the consolidated statement of profit or loss and other comprehensive income	(98,491)	3,529,681
	963,990	3,452,023

12. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year is stated after charging:

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Staff costs:		
- Included in cost of sales and contracts with customers	6,791,279	7,368,303
- Included in distribution expenses	967,711	1,086,988
- Included in general, administrative and other expenses	1,721,041	1,852,476
	9,480,031	10,307,767
Depreciation expenses:		
- Included in cost of sales and contracts with customers	2,427,521	2,806,099
- Included in distribution expenses	251,560	328,584
- Included in general, administrative and other expenses	136,380	149,438
	2,815,461	3,284,121
Amortisation expenses:		
- Included in cost of sales and contracts with customers	1,402,791	810,555
- Included in general, administrative and other expenses	76,178	76,176
	1,478,969	886,731

The number of staffs employed by the Parent Company at 31 December 2021 was 1,713 (2020: 1,874).

13. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

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

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Profit for the year attributable to the owners of the Parent Company from the continuing operations (KD)	5,335,723	386,691
Loss of the year attribute owners of the parent company from discontinued operations (KD)	(821,872)	(450,025)
	4,513,851	(63,334)
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	349,919,263	349,629,222
Shares to be issued for no consideration under share-based payments – note 35	1,119,036	1,746,227
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	351,038,299	351,375,449
Basic earnings/(loss) per share attributable to the owners of Parent Company		
- From continuing operations	15.25	1.11
- From discontinued	(2.35)	(1.29)
Total – Fils	12.9	(0.18)
Diluted earnings/(loss) per share attributable to the owners of Parent Company		
- From continuing operations	15.2	1.10
- From discontinued	(2.34)	(1.28)
Total – Fils	12.86	(0.18)

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
31 December 2021						
Cost						
At 1 January	33,208,538	53,172,840	14,866,284	4,676,686	1,712,848	107,637,196
Additions/transfers – Net	95,615	1,222,091	120,806	221,040	(113,966)	1,545,586
Write-off/disposals	-	(80,051)	(29,010)	(37,316)	-	(146,377)
At 31 December	33,304,153	54,314,880	14,958,080	4,860,410	1,598,882	109,036,405
Accumulated depreciation						
At 1 January	26,294,647	42,247,804	12,374,115	4,379,861	-	85,296,427
Charge for the year	685,136	1,489,939	510,592	129,794	-	2,815,461
Relating to write- off/ disposals	-	(76,933)	(29,004)	(36,893)	-	(142,830)
At 31 December	26,979,783	43,660,810	12,855,703	4,472,762	-	87,969,058
Net book value						
At 31 December	6,324,370	10,654,070	2,102,377	387,648	1,598,882	21,067,347

	Land KD	Buildings KD	Plant and equipment KD	Motor vehicles KD	Furniture and equipment KD	Assets under construction KD	Total KD
31 December 2020							
Cost							
At 1 January	1,468,582	34,849,793	60,018,400	15,355,432	4,556,994	3,186,123	119,435,324
Impact of the disposed group classified as held for sale (note 7.2)	(1,468,582)	(2,423,672)	(7,799,477)	(152,148)	(87,244)	(345,509)	(12,276,632)
Additions/ transfers – Net	-	1,187,506	1,290,486	200,350	250,951	(1,127,766)	1,801,527
Write-off/disposals	-	(405,089)	(336,569)	(537,350)	(44,015)	-	(1,323,023)
At 31 December	-	33,208,538	53,172,840	14,866,284	4,676,686	1,712,848	107,637,196
Accumulated depreciation							
At 1 January	-	26,484,870	44,860,913	12,350,242	4,288,360	-	87,984,385
Impact of the disposed group classified as held for sale (note 7.2)	-	(700,085)	(3,757,326)	(151,748)	(41,738)	-	(4,650,897)
Charge for the year	-	914,943	1,479,707	704,526	184,945	-	3,284,121
Relating to write-off/disposals	-	(405,081)	(335,490)	(528,905)	(51,706)	-	(1,321,182)
At 31 December	-	26,294,647	42,247,804	12,374,115	4,379,861	-	85,296,427
Net book value							
At 31 December	-	6,913,891	10,925,036	2,492,169	296,825	1,712,848	22,340,769

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

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

15. RIGHT OF USE ASSETS

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
The balance at the beginning of the year	4,844,593	1,716,893
Additions	-	4,149,944
Disposals	-	(135,513)
Amortisation	(1,478,969)	(886,731)
Balance at the end of the year	3,365,624	4,844,593

16. INVESTMENT PROPERTIES

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
The balance at the beginning of the year	4,800,000	1,720,000
Purchase of an investment property	3,030,000	3,031,200
Change in fair value – Note 39.3	520,000	48,800
Balance at the end of the year	8,350,000	4,800,000

During the year, one of the subsidiaries of the group, Kuwait Building Company for Buying and Selling Lands and Real Estate – WLL, purchased a right of use of an industrial plot in the State of Kuwait with a total value of KD3,030,000 (31 December 2020: KD3,031,200).

17. INVESTMENT IN ASSOCIATES

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

		Percentage of Ownership		
	Country of incorporation	31 Dec. 2021	31 Dec. 2020	Purpose
Kuwait Rocks Company – KSCC (under liquidation) – See A below	Kuwait	38%	38%	Building materials
Al-Raya Global for Real Estate Services Co. KSCC (Under liquidation) – See B below	Kuwait	25.32%	25.32%	Real estate
Insulated Building Systems Factory – WLL	Bahrain	50%	50%	Contracting
United Gulf Pipes Factory – LLC	Oman	45%	45%	Manufacturing
Omani German Company for Building Materials – LLC	Oman	33.662%	33.662%	Manufacturing

All of the above associates are unquoted.

a. The value of the investment in Kuwait Rocks Company – KSCC (under liquidation) is included for an amount of KD1 until the process of liquidation is executed.

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

Notes to the Consolidated Financial Statements *(continued)*

17. Investment in associates (continued)
17.1 Details of the Group's investment in associates (continued)

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Balance at beginning of the year	1,581,739	1,776,631
Share of results of associates	(104,624)	(192,287)
Dividends	(75,847)	-
Share of other comprehensive income/(loss)	1,099	(3,660)
Foreign exchange translation	(10,239)	1,055
	1,392,128	1,581,739

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

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	43,854	189
Current assets	762,451	1,116,259
Total assets	806,305	1,116,448
Non-current liabilities	2	-
Current liabilities	541,034	509,411
Total liabilities	541,036	509,411
Net assets	265,269	607,037

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec.2020 KD
Revenue	-	-
Loss for the year	(46,551)	(90,628)
Other comprehensive income/(loss) for the year	4,340	(14,459)
Total comprehensive loss for the year	(42,211)	(105,087)

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

	Year ended 31 Dec. 2021	Year ended 31 Dec. 2020
Group's ownership interest	25.32%	25.32%
Net assets of the associate (KD)	265,269	607,037
Group's share of net assets (KD)	67,166	153,701
Carrying amount (KD)	67,166	153,701

The Group has accounted for its share of results of this associate using the Management accounts as of 30 September 2021.

Notes to the Consolidated Financial Statements *(continued)*

17. Investment in associates (continued)
17.2 Summarised financial statements of Group's material associates (continued)

b) Insulated Building Systems Factory– WLL:

	31 Dec. 2021 KD	31 Dec. 2020 KD
Non-current assets	1,067,155	1,179,415
Current assets	1,742,833	2,354,715
Total assets	2,809,988	3,534,130
Non-current liabilities	18,640	18,243
Current liabilities	141,430	659,817
Total liabilities	160,070	678,060
Net assets	2,649,918	2,856,070

	Year ended 31 Dec. 2021	Year ended 31 Dec. 2020
Revenue	333,159	836,218
Loss for the year	(185,674)	(338,680)
Total comprehensive (loss)/income for the year	(20,478)	2,112

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

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec.2020 KD
Group's ownership interest	50%	50%
Net assets of the associate (KD)	2,649,918	2,856,070
Group's share of net assets (KD)	1,324,959	1,428,035
Carrying amount (KD)	1,324,959	1,428,035

The Group has accounted for its share of results of this associate using management accounts as of 30 June 2021.

17.3 Set out below is the aggregate information for the individually immaterial associates, based on the unaudited financial statements as at 31 December 2021 and 2020.

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec.2020 KD
Group's share of profits or losses	-	-
Group's share of total comprehensive loss	-	-
Aggregate carrying amount of Group's interest in these associates	3	3

18. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec. 2021 KD	31 Dec. 2020 KD
Local quoted securities	5,337,916	3,784,170
Local unquoted securities	13,357,572	10,527,608
Foreign quoted securities	1,565,125	1,293,301
Foreign unquoted securities	8,846,042	13,706,788
	29,106,655	29,311,867

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

19. MURABAHA INVESTMENT

The Murabaha investment is an investment with a local Islamic financial institution with an actual profit rate of 2% (31 December 2020: 2%) above the Central Bank of Kuwait discount rate and is carried at amortized cost. The investment is the Parent Company's participation in a joint arrangement of Murabaha facilities provided to the ultimate Parent Company by the local Islamic financial institution (note 36). During the year, the entire investment was redeemed at the maturity date of 12 August 2021.

20. INVENTORIES AND SPARE PARTS

	31 Dec. 2021 KD	31 Dec. 2020 KD
Raw materials	**11,473,733**	11,675,529
Finished goods and work-in-progress	**8,775,947**	6,728,283
Spare parts	**3,998,341**	3,758,824
Goods in transit	**662,856**	1,072,114
	24,910,877	23,234,750
Provision for obsolete and slow-moving items	**(870,394)**	(870,394)
	24,040,483	22,364,356

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec. 2021 KD	31 Dec. 2020 KD
Managed funds and portfolios	**2,153,051**	1,618,156
Quoted equity securities	**895,942**	532,543
	3,048,993	2,150,699

22. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	31 Dec. 2021 KD	31 Dec. 2020 KD
Financial assets:		
Trade receivables	**10,209,518**	9,424,185
Ultimate Parent Company current account	**444,912**	529,483
Due from associates	**574,338**	578,543
Staff receivables	**420,130**	290,548
Retentions	**922,417**	1,203,704
Accrued income and other assets	**214,103**	110,586
	12,785,418	12,137,049
Less: Provision for doubtful debts (See 22.1 below)	**(1,649,133)**	(1,421,664)
	11,136,285	10,715,385
Non-Financial assets:		
Prepayments	**538,955**	575,101
Advances to contractors	**36,568**	38,153
	575,523	613,254
	11,711,808	11,328,639

Notes to the Consolidated Financial Statements *(continued)*

22. Accounts receivable and other assets (continued)

22.1 Provision for doubtful debts is calculated as per IFRS (9) which is calculated based on expected credit loss model. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and nature of customers. In certain instances the Parent Company obtains Letter of Guarantees from customers before extending credit to them.

The expected credit loss for financial assets above at 31 December 2021 and 31 December 2020 was determined as follows:

	Not past due	More than 30 Days	More than 90 Days	More than 120 Days	More than 180 Days	More than a year	Total
31 December 2021:							
Total Carrying amount	**4,513,862**	**4,390,609**	**696,935**	**1,672,608**	**462,959**	**1,048,445**	**12,785,418**
Lifetime ECLs (KD)	**(4,514)**	**(43,906)**	**(69,693)**	**(250,891)**	**(231,684)**	**(1,048,445)**	**(1,649,133)**
Total financial assets	**4,509,348**	**4,346,703**	**627,242**	**1,421,717**	**231,275**	**-**	**11,136,285**
31 December 2020:							
Total Carrying amount	4,759,616	3,823,170	606,850	1,456,450	923,130	567,833	12,137,049
Lifetime ECLs (KD)	(4,759)	(38,231)	(60,685)	(218,468)	(531,688)	(567,833)	(1,421,664)
Total financial assets	4,754,857	3,784,939	546,165	1,237,982	391,442	-	10,715,385

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Opening balance	**(1,421,664)**	(1,232,255)
Charged during the year	**(227,469)**	(190,207)
Affection of disposal group classified as held for sale	**-**	798
Closing Balance	**(1,649,133)**	(1,421,664)

23. FIXED DEPOSITS

Fixed deposits carry an average interest rate that varies from 1.8% to 2% (2020: 0.75% to 1.25%) per annum and mature within one year from the date of the consolidated statement of financial position.

24. CASH AND CASH EQUIVALENTS

	31 Dec. 2021 KD	31 Dec. 2020 KD
Cash and bank balances	**8,804,726**	7,326,339
Term deposits due from less than 3 months	**2,000,000**	-
Less:		
Due to banks	**(1,147,192)**	(1,404,610)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**9,657,534**	5,921,729

Due to banks carry an interest rate at 1.25% (31 December 2020: 1.25%) per annum above the CBK discount rate. They are payable on demand.

25. SHARE CAPITAL AND SHARE PREMIUM

	31 Dec. 2021 KD	31 Dec. 2020 KD
Shares of KD0.100 each		
- Authorised	36,020,187	36,020,187
- Issued and fully paid in cash	35,089,162	35,089,162

Share premium is not available for distribution.

26. TREASURY SHARES

	31 Dec. 2021 KD	31 Dec. 2020 KD
Number of shares	1,285,502	1,409,356
Percentage of issued shares	0.366%	0.402%
Cost of treasury shares (KD)	239,517	253,830
Market value (KD)	249,387	225,497

During the year, the Parent Company issued 627,191 shares from treasury shares (2020: 962,811 shares) under the staff share-based payments scheme (note 35) at price ranging from KD0.169 to KD0.230 per share (2020: ranging from KD0.169 to KD0.230 per share).

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

27. LEGAL AND VOLUNTARY RESERVES

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

28. OTHER COMPONENTS OF EQUITY

	Treasury shares profit reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2021	**9,202**	**9,830,435**	**103,945**	**9,943,582**
Exchange differences from translation of foreign operations	-	-	(17,228)	(17,228)
Share of other comprehensive income of associates	-	-	1,099	1,099
Issue of staff bonus shares (note 35)	4,940	-	-	4,940
Equity investments at FVOCI:				-
- Net change in fair value arising during the year	-	(98,491)	-	(98,491)
Total other comprehensive income/(loss) for the year	4,940	(98,491)	(16,129)	(109,680)
Transfer of realised loss on disposal of equity investments at FVOCI to retained earnings	-	107,713	-	107,713
Balance at 31 December 2021	**14,142**	**9,839,657**	**87,816**	**9,941,615**
Balance at 1 January 2020	11,292	6,300,754	104,484	6,416,530
Exchange differences from translation of foreign operations	–	–	3,121	3,121
Share of other comprehensive loss of associates	–	–	(3,660)	(3,660)
Issue of staff bonus shares (note 35)	(2,090)			(2,090)
Equity investments at FVOCI				–
- Net change in fair value arising during the year	–	3,529,681	–	3,529,681
Total other comprehensive (loss)/income for the year	(2,090)	3,529,681	(539)	3,527,052
Balance at 31 December 2020	9,202	9,830,435	103,945	9,943,582

29. PROVISION FOR LAND-FILLING EXPENSES

	31 Dec. 2021 KD	31 Dec. 2020 KD
Opening balance	512,194	483,071
Charged during the year	19,014	29,123
Closing Balance	531,208	512,194

Notes to the Consolidated Financial Statements *(continued)*

30. LEASE LIABILITIES

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

The minimum future rent payments as of 31 December 2021 is as follows:

	Accrued Minimum Future Rent Payments		
	One Year KD	Between 1 year and 5 years KD	Total KD
31 December 2021:			
Lease payments	**1,110,826**	**2,090,852**	**3,201,678**
Finance costs	**(100,830)**	**(72,395)**	**(173,225)**
N Net present values	**1,009,996**	**2,018,457**	**3,028,453**

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

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

31. MURABAHA PAYABLE

Murabaha payable represents the balance of Murabaha facilities obtained from a local Islamic bank and carries a profit rate of 1.25% annually above the discount rate announced by the Central Bank of Kuwait.

32. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 Dec. 2021 KD	31 Dec. 2020 KD
Trade payables	**7,367,439**	7,236,198
Staff payables	**159,848**	282,219
Provision for staff leave	**1,361,861**	1,517,279
Accrued expenses (See A below)	**3,479,732**	2,692,276
Due to customers for contract works	**151,102**	269,223
Other liabilities	**1,530,836**	1,350,805
Provision for government claim (see B below)	**2,700,000**	2,700,000
	16,750,818	16,048,000

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

Notes to the Consolidated Financial Statements *(continued)*

32. Accounts payable and other liabilities (continued)

b. In a previous year, the Parent Company received a letter from one of the government owned entities which supplies gas to one of the factories of the Group demanding payment for usage of gas for 2004 till 2011. The Group rejected this claim on several grounds, inter alia, there has never been agreement to pay for gas usage for that period because the factory was relocated at that place on the government's request wherein the government had promised provision of land, electricity and gas. Further, no invoice was ever issued to the Group in that period. The supplier filed a legal case against the Parent Company claiming its right to recover the amount for the gas usage. The court in its first hearing transferred the case to the Expert's department. Subsequently, the court issued a ruling ordering the Parent Company to pay an amount of USD9.3 Million to the plaintiff. Accordingly, the Parent Company recorded a provision against this liability, during the year ended 31 December 2016, amounting to KD2.7 Million, Also the Parent Company appealed the ruling and the Court of Appeal has changed the amount from USD 9.3 Million to become USD 1.9 Million, though the judgment is still pending in the third stage.

33. OPERATING SEGMENTS

The Group's format for reporting segment information is business segments.

The Group primarily operates in two business segments: Building materials and Contracting services, and Investments. The segment information is as follows:

	Building materials and contracting services		Investments		Total	
	31 Dec. 2021 KD	31 Dec. 2020 KD	**31 Dec. 2021 KD**	31 Dec. 2020 KD	**31 Dec. 2021 KD**	31 Dec. 2020 KD
Segment revenue						
From continuing operations	**43,047,066**	36,193,369	**1,294,156**	114,948	**44,341,222**	36,308,317
From discontinued	**31,544**	8,267	**-**	-	**31,544**	8,267
	43,078,610	36,201,636	**1,294,156**	114,948	**44,372,766**	36,316,584
Share of results of associates	**-**	-	**(104,624)**	(192,287)	**(104,624)**	(192,287)
					44,268,142	36,124,297
Segment results						
From continuing operations	**4,817,674**	258,765	**1,189,532**	(77,339)	**6,007,206**	181,426
From discontinued	**(1,643,743)**	(900,049)	**-**	-	**(1,643,743)**	(900,049)
	3,173,931	(641,284)	**1,189,532**	(77,339)	**4,363,463**	(718,623)
Unallocated expenses					**(384,830)**	(11,471)
Profit/ (loss) for the year as per consolidated statement of profit or loss					**3,978,633**	(730,094)
Depreciation and amortisation	**4,294,430**	4,170,852	**-**	-	**4,294,430**	4,170,852
Total Assets	**81,602,754**	79,316,865	**39,597,776**	38,946,279	**121,200,530**	118,263,144
Total liabilities	**29,135,703**	29,956,696	**-**	-	**29,135,703**	29,956,696
Net assets	**52,467,051**	49,360,169	**39,597,776**	38,946,279	**92,064,827**	88,306,448

The disposed Group's assets (note 7.2) were included under "Building material and contract's services".

34. PROPOSED DIVIDENDS AND GENERAL ASSEMBLY OF THE SHAREHOLDERS

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of the Parent Company proposed ………………………………………………….. for the year ended 31 December 2021 and to pay a remuneration of KD150,000 to the board of directors for the year ended 31 December 2021.

The annual general assembly of the Parent Company's shareholders held on 22 April 2021 approved the consolidated financial statements for the financial year ended 31 December 2020. Furthermore, it approved not to distribute dividends (2019: cash dividends of 10 Fils). Further, the annual general assembly approved not to distribute directors' remuneration for the financial year ended 31 December 2020 (2019: KD150,000).

35. SHARE-BASED PAYMENT

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

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

The expense recognised for services provided by employees under the senior executive plan amounted to KDNil (2020: KD260,157) during the year. The carrying amount of the liability relating to the plan at 31 December 2021 was KD198,565 (2020: KD316,465) shown under staff bonus reserve in equity.

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

	31 Dec 2021		31 Dec 2020	
	Share options	**WAEP**	Share options	WAEP
	Shares	**KD**	Shares	KD
Opening balance	**1,746,227**	**0.181**	1,169,651	201.0
Granted during the year	**-**	**-**	1,539,387	169.0
Exercised during the year – note 26	**(627,191)**	**0.188**	(962,811)	186.0
Outstanding at 31 December – note 13	**1,119,036**	**0.177**	1,746,227	181.0

36. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Amounts included in the consolidated financial position:		
Ultimate Parent Company's current accounts (Note 22)	444,912	529,483
Due from associates	9,360	9,429
Murabaha investments at amortized cost (Note 19)	-	4,851,974

	Year ended 31 Dec. 2021 KD	Year ended 31 Dec. 2020 KD
Transactions included in the consolidated statement of profit or loss:		
Interest income	1,939	2,403
Dividends income	-	67,467
Compensation of key management personnel of the Parent Company		
Board of Directors' remuneration	150,000	–
Short term benefits	264,216	272,249
End of service benefits	23,802	34,235
Cost of share-based payments	-	260,157
	438,018	566,641

37. COMMITMENTS AND CONTINGENT LIABILITIES

	31 Dec. 2021 KD	31 Dec. 2020 KD
Letters of guarantee issued	5,760,027	6,999,236
Letters of guarantee issued from ultimate Parent Company	200,000	200,000
	5,960,027	7,199,236

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

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

38.1 Market risk

a. Foreign currency risk

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

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

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
US Dollar	3,998,891	9,827,930
UAE Dirhams	1,877,235	1,270,124
Jordanian Dinar	127,138	140,198
Saudi Riyal	9,225,477	8,122,435
Bahraini Dinar	1,777,992	1,914,989
Omani Riyal	996,362	1,002,377
Pound Sterling	3,069	17,738

The foreign currency sensitivity is determined assuming 5% (2020: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

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

	Profit/(loss) for the year		Equity	
	31 Dec. 2021 KD	31 Dec. 2020 KD	31 Dec. 2021 KD	31 Dec. 2020 KD
US Dollar	±31,079	±26,759	±168,865	±464,637
Other currencies	±272,986	±258,883	±427,377	±364,537

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

Notes to the Consolidated Financial Statements *(continued)*

38. Risk management objectives and policies (continued)
38.1 Market risk (continued)

b. Interest rate risk

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

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2020: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2021		31 Dec. 2020	
	+ 1 %	-1 %	+ 1 %	-1 %
	KD	KD	KD	KD
Profit/(loss) for the year	45,241	(45,241)	44,974	(44,974)

c) Price risk

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

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

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

	31 Dec. 2021	31 Dec. 2020
Kuwait market	5%	5%
Other international markets	10%	10%

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

	Profit for the year		Equity	
	31 Dec. 2021 KD	31 Dec. 2020 KD	31 Dec. 2021 KD	31 Dec. 2020 KD
Investments at fair value through profit or loss	137,635	89,316	-	-
Investments at fair value through other comprehensive income	-	-	423,408	318,593
Total	137,635	89,316	423,408	318,593

Notes to the Consolidated Financial Statements *(continued)*

38. Risk management objectives and policies (continued)

38.2 Credit risk

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

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Bank balances	8,722,220	7,260,040
Fixed deposits	6,050,000	1,050,000
Accounts receivable and other assets (note 22)	11,136,285	10,715,385
Murabaha investment	-	4,851,974
Investments at fair value through profit or loss	3,048,993	2,150,699
Investments at fair value through other comprehensive income	29,106,655	29,311,867
	58,064,153	55,339,965

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

The Company's largest customer accounted for 7% (2020: 9%) of the total trade receivables.

38.3 Liquidity risk

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

The Group's maturity profile of financial liabilities based on discounted cash flows is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
As at 31 December 2021					
Due to banks	1,147,192	-	-	-	1,147,192
Lease liabilities	-	-	1,110,826	2,090,852	3,201,678
Murabaha payable	125,000	253,667	-	-	378,667
Accounts payable and other liabilities	3,256,600	4,928,300	8,565,918	-	16,750,818
	4,528,792	5,181,967	9,676,744	2,090,852	21,478,355
As at 31 December 2020					
Due to banks	1,404,610	-	-	-	1,404,610
Lease liabilities	-	-	1,562,646	3,252,244	4,814,890
Accounts payable and other liabilities	2,919,014	4,417,358	8,711,628	-	16,048,000
	4,323,624	4,417,358	10,274,274	3,252,244	22,267,500

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

39. FAIR VALUE MEASUREMENT

39.1 Fair value hierarchy

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

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

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

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39.2 Fair value measurement of financial instruments

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	8,804,726	7,326,339
Fixed deposits	6,050,000	1,050,000
Accounts receivable and other assets (note 22)	11,136,285	10,715,385
Murabaha investment	-	4,851,974
Investments at fair value through profit or loss:		
Investments at fair value through profit or loss	3,048,993	2,150,699
Investments at fair value through other comprehensive income:		
Investments at fair value through other comprehensive income	29,106,655	29,311,867
	58,146,659	55,406,264
Financial liabilities:		
Financial liabilities at amortised cost:		
Due to banks	1,147,192	1,404,610
Lease liabilities	3,028,453	4,494,726
Murabaha payable	378,667	-
Accounts payable and other liabilities	16,750,818	16,048,000
	21,305,130	21,947,336

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

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

Notes to the Consolidated Financial Statements *(continued)*

39. Fair value measurement (continued)
39.2 Fair value measurement of financial instruments (continued)

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

	note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2021					
Investments at fair value through profit or loss					
Quoted securities	a	895,942	-	-	895,942
Managed funds and portfolios	b	928,379	1,224,672	-	2,153,051
Total		1,824,321	1,224,672	-	3,048,993
Investments at fair value through other comprehensive income					
Local quoted securities	a	5,337,916	-	-	5,337,916
Local unquoted securities	c	-	-	13,357,572	13,357,572
Foreign quoted securities	a	1,565,125	-	-	1,565,125
Foreign unquoted securities	c	-	-	8,846,042	8,846,042
Total		6,903,041	-	22,203,614	29,106,655
Total		8,727,362	1,224,672	22,203,614	32,155,648

	note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2020					
Investments at fair value through profit or loss					
Financial assets designated at fair value through profit or loss					
Quoted securities	a	532,543	-	-	532,543
Managed funds and portfolios	b	626,892	991,264	-	1,618,156
Total		1,159,435	991,264	-	2,150,699
Investments at fair value through other comprehensive income					
Local quoted securities	a	3,784,170	-	-	3,784,170
Local unquoted securities	c	-	-	10,527,608	10,527,608
Foreign quoted securities	a	1,293,301	-	-	1,293,301
Foreign unquoted securities	c	-	-	13,706,788	13,706,788
Total		5,077,471	-	24,234,396	29,311,867
Total		6,236,906	991,264	24,234,396	31,462,566

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

Notes to the Consolidated Financial Statements *(continued)*

39. Fair value measurement (continued)
39.2 Fair value measurement of financial instruments (continued)

Measurement at fair value

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

a) Quoted securities

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

b) Managed funds and portfolios

The underlying investments of managed portfolios and funds mainly represent local and foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) Unquoted securities

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

d) Financial liabilities

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

Level 3 fair value measurements

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Opening balance	**24,234,396**	20,411,295
Additions	**12,863**	246,702
Other comprehensive (loss)/income	**(1,939,369)**	4,309,560
Reduction in share capital / Sale	**(104,276)**	(733,161)
Closing balance	**22,203,614**	24,234,396

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*

39. Fair value measurement (continued)
39.2 Fair value measurement of financial instruments (continued)

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

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

39.3 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2021 and 31 December 2020:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2021				
Investment property - in Kuwait – note 16	-	-	**1,650,000**	**1,650,000**
Industrial Plot – in Kuwait – note 16	-	-	**3,300,000**	**3,300,000**
Industrial Plot – in Kuwait – note 16	-	-	**3,400,000**	**3,400,000**
	-	-	**8,350,000**	**8,350,000**
31 December 2020				
Investment property - in Kuwait – note 16	-	-	1,650,000	1,650,000
Industrial Plot – in Kuwait – note 16	-	-	3,150,000	3,150,000
	-	-	4,800,000	4,800,000

The fair values of all investment properties have been determined based on valuations obtained from independent and accredited valuers for each investment property, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. As of 31 December 2021, for the valuation purpose, the Group has selected the lower value of the valuations obtained for each investment property.

Investment properties

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

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

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment property	Estimated rental stream approach	Monthly economic rental value	KD2,183 to KD2,255 (2020: KD2,183 to KD2,255)	Fair value increases if economic rental value increases, and vice versa.
Industrial plots	Estimated rental stream approach	Monthly economic rental value	KD 1,050 to KD1,102 (2020: KD 1,050 to KD1,102)	Fair value increases if economic rental value increases, and vice versa.

40. CAPITAL MANAGEMENT OBJECTIVES

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

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

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

	31 Dec. 2021 KD	31 Dec. 2020 KD
Profit/(loss) for the year attributable to the owners of the Parent Company	**4,513,851**	(63,334)
Total equity attributable to the owners of the Parent Company	**88,556,886**	84,256,302
Return on equity	**5.1%**	(0.075)%

41. COVID19 PANDEMIC IMPACT

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, remains unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements.

Further, management is aware that a continued and persistent disruption could negatively impact the consolidated financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its industry reports and cash flows to minimise any negative impact on the Group.