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NATIONAL INDUSTRIES COMPANY KPSC

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Annual Report 2022

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NATIONAL INDUSTRIES COMPANY KPSC

Annual Report

2022

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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

NIC Plastics

Drinking Water Pipes & Fittings

Contents

NIC Paints

For Exterior Use

Members of the Board of Directors

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

Royal Adhesive

For Walls & Floors

Chairman's Message

Dear shareholders,

I sincerely thank you for accepting our invitation, the members of the Board of Directors and I are honored to present to you the annual report of the National Industries Company (K.P.S.C) for the fiscal year ended on December 31, 2022.

Our valued shareholders:

Our company maintained its local market share, due to the quality of its products, which achieved the best Kuwaiti specifications, in addition to its high production efficiency, which fulfilled the sufficient contracts and requests in a timely manner.

The Company worked on exploiting the new opportunities that contribute in increasing efficiency and productive capacity in its factories and plants, besides benefiting from the new opportunities and investments in innovative technologies that increase production and reduce costs, this resulted in achieving sales during this year amounting to KD 48.13 million, compared to KD 43.05 million during the same period in 2021.

And based on the financial results achieved for this year and the company's projects and future plans, the Board of Directors is pleased to present within the agenda of your esteemed assembly a recommendation to distribute cash dividends at the rate of 10%, that is 10 fils per share for the fiscal year ending on 31/12/2022.

We thank our esteemed shareholders for their trust in us and their loyalty to the company, and we renew to them our commitment to continuous work to serve their interests and develop their investments.

We also appreciate the efforts of the company's employees for their continuous efforts to enhance the company's position by achieving further progress, elevation and sophistication to prove excellence in the fields of safety and the environment and to promote the principle of sustainability in the company's business and its various activities, hoping that they will do more to achieve the company's goals for the benefit of all.

God grants success,,

Abdulaziz Ibrahim Al-Rabiah
Chairman

Board of Directors Report 2022

In 2022, the company's profit has amounted to KD 4.4 million, with a decrease of (3%) from 2021 which was KD 4.5 million, i.e. a slight decrease due to unrealized losses in a few investments. While Sales have increased by 12%, to become KD 48.13 million compared to KD 43.05 million in 2021, due to the increment in the sales of production plants of the company, despite the impact on infrastructure products (ready mix - concrete pipes, light bricks and all kinds of kerbstones) besides the increase in sales of subsidiaries. Investment revenues decreased by (47%) to reach KD 683 thousand in 2022 compared to 2021 were they reached KD 1.29 million, While shareholders' equity hes amounted to KD 86.3 million, and the book value of the share became 246 fils.

The following is a review of the company's operational activity for the year 2022, the completed projects in the year, and the projects being implemented.

FIRST: SULAIBIYA GROUP OF PLANTS

Total sales have amounted to KD 13.69 million in 2022, compared to KD 12.06 million in 2021, with an increment of 14% over actual sales for 2021, and a decrease of (25%) from the estimated sales for the year 2022.

Product	Sales 2022	Sales 2021	Ratio of sales of 2022 compared with 2021	
Ready Mix	8,097,468	6,511,340	24%	↑
Concrete Pipes	991,540	229,657	332%	↑
Interlock	3,342,728	3,571,670	6%	↓
Kerbstone & Cable Covers	570,665	820,956	30%	↓
Cement Blocks & Moulds	230,469	345,371	33%	↓
Yard Tiles	466,109	587,983	21%	↓

SECOND: MINA ABDULLAH PORT GROUP OF PLANTS

Total sales have amounted to KD 22,629 million in 2022, compared to KD 19,921 million for 2021, with an increment of 14% and an increase of 5% over the estimated sales for the year 2022.

Product	Sales 2022	Sales 2021	Ratio of sales of 2022 compared with 2021	
Dehydrated Lime	952,667	934,154	2%	↑
Hydrated Lime	122,544	98,453	24%	↑
Limestone	2,001,562	1,732,547	16%	↑
Quarry	192,857	76,934	151%	↑
Filler - Dolomite	68,084	75,301	10%	↓
White Blocks (A.A.C.)	11,122,301	8,426,505	32%	↑
Lintels	584,451	577,091	1%	↑
Mortar	722,650	382,020	89%	↑
Tile Adhesive - Roof Coating	1,157,126	1,319,268	12%	↓
Cladding	2,194,147	2,343,163	6%	↓
Plastic Pipes (PVC)	994,567	1,824,191	45%	↓
HDPE Pipes	1,378,865	1,173,290	18%	↑
Paints	428,580	340,057	26%	↑
Commercials	42,836	86,595	51%	↓
Transport	666,428	532,376	25%	↑

THIRD: SIGNIFICANT ACHIEVEMENTS IN 2022

1. MINA ABDULLAH GROUP PLANTS

1. The production capacity of the Cladding and Mortars factory was increased to 9,000 bags/day, and a robot was installed, which contributed to increase the production.
2. The production unit (C) was modified in order to increase its production capacity to reach 6000 bags/day of the Cladding and Mortars bags, in addition to its production of the limestone bricks.
3. A new storehouse of the Cladding and Mortars Plant was added, with a capacity of 30,000 bags.
4. A special mill for sand or cement was added to the AAC Factory, with a production capacity of 5 tons of cement per hour.
5. Improving the mixing system and the transport vehicle of the AAC Factory.
6. The idle energy in the limestone factory has been exploited in units (A, B) to produce cement bricks.
7. Comprehensive maintenance was carried out and an electronic system was installed in the lime powder plant in Unit B of the quarry for the production of fillers.

2. SULAIBIYA GROUP PLANTS

1. Two ready-mix stations were transferred from Al-Zour factories to be installed in Al-Mutlaa Residential City, with a production capacity of 240 m^3/hour with all its accessories (ice plant, cooling plant, and mixer washing recycling station), the actual production started on 15/04/2022, and 80,864 cubic meters of concrete were supplied to the residential plots until 31/12/2022, which is equivalent to 24% of the concrete supplied in year 2022.
2. New products of interlock pavers were added (multi-color wooden tiles).
3. Producing a variety of new sizes of coarse interlock pavers to supply in the projects of Khairan Mall and Shadadiyah University.
4. Designing and producing special products for the governmental and private sector projects such as benches, flower pots and staircase thresholds

   (Youm Al-Bahar Village Project - Sheikh Jaber Bridge - Winter Land - Hessa Al-Mubarak Complex - and power stations projects).

FOURTH: SIGNIFICANT PROJECTS TO ACHIEVE IN 2023

1. MINA ABDULLAH GROUP PLANTS

1. Increasing the production capacity of the AAC Blocks Plant gradually using the equipment of Jeddah factory such as autoclaves, mills, mixing equipment and production lines, according to the availability of new transformers of electricity.
2. Conducting a feasibility study to set up a clinker grinding plant to meet the needs of cement in the Cladding and Mortars Plant and AAC Blocks Plant.
3. Creating a new system for adding pigments in the limestone factory and programming it with the existing system.
4. Conducting a study of creating of a factory to exploit the chemicals used in the ready-mix plant in cooperation with Sulaibiya Factories.
5. Developing, upgrading and improving the performance of the existing softwares in our factories, and training the technicians to deal with them.
6. Conducting a preliminary study about producing the bulk gypsum of our existing factories.
7. Carrying out a market study for the fiber reinforced Cement Panels, to increase their use in the local market, and the possibility of producing them in the company's factories.

2. SULAIBIYA GROUP PLANTS

1. Developing the coarse paver and introducing new equipment for the treatment of the product surface (Shot blast + curling), to increase the production capacity.
2. Dismantling, transporting and installing the Mika 4 ready-mix station from the ready mix factories in Mina Abdullah with a capacity of 130 m^3/hour, with all its accessories (ice plant - cooling station - mixer washing station) and installing it in Shuwaikh port berths development project.
3. Developing the molded casting production line and increasing the production capacity through:

   - Adding new products.

   - New casting equipment.

3. INFORMATION TECHNOLOGY

Improving and supporting the company's various departments to facilitate and raise work efficiency and productivity and ensure business continuity in addition to reducing operational costs through the implementation of the following projects:

1. Developing and implementing operating the company's website and the e-commerce website and operating it through smart phone applications and tablet computers.
2. Operating the automated system of the Human Resources Management and activating the self-service feature that works through the website and smart phones.
3. Developing the company's database and automated system devices.
4. Developing infrastructure and communications devices and strengthening protection systems for the company's internal network.
5. Operating an automated system for managing and archiving documents.

4. FINANCE & HUMAN RESOURCES DEPARTMENT

Achievements of the Financial and Human Resources Department in 2022

1. Activating deposit and collection via the electronic link in cooperation with a local bank.
2. Developing a system for monitoring the financial performance and costs.
3. Developing training methods for employees by contracting with several training platforms.
4. Updating administrative systems to keep pace with changes in the market.

Goals of the Financial and Human Resources Department in 2023

1. Developing the credit and collection system.
2. Developing human resource systems.
3. Activating the measurement of factory performance and production efficiency through developing the cost management systems.
4. Activating administrative and financial coordination and cooperation with subsidiaries and associates.

5. SALES AND MARKETING DEPARTMENT

1. Developing sales outlets in the General Administration building in Shuwaikh and Mina Abdullah, by displaying commercial complementary products beside the ones of the company.
2. Increasing the distributors and the types of paints products.
3. Increasing the distributors of the plastic products as new molds were supplied.
4. Developing a motivating marketing plan to sell as many products as possible to the customer.

FIFTH: SUBSIDIARIES AND AFFILIATES

A. SUBSIDIARIES:

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

Established on 15/6/2004 to be the executive arm of the company for the construction projects. The company's financial results in 2022 showed profits amounting to KD 8,704 compared to profits of KD 8,048 in 2021, noting that the total shareholders' equity in the company amounted to KD 596,598 with a capital KD 500,000.

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

- The company incurred losses of KD 657,723 in 2022 compared to profits of KD 180,384 in 2021.
- The company's products have been approved by all state ministries.
- In the fourth quarter of 2022, the company started producing porcelain, which made a qualitative and financial leap for the company.
- The company's products have been included among the supported construction materials for 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 is under liquidation, cash and in-kind amounts of SAR 18,531,472 were obtained from the liquidation, the liquidation is expected to be ended during the year 2023

B. AFFILIATED COMPANIES:

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

The company incurred losses of BD 586,200 thousand in 2022, compared to losses of BD 182,915 in 2021.

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)

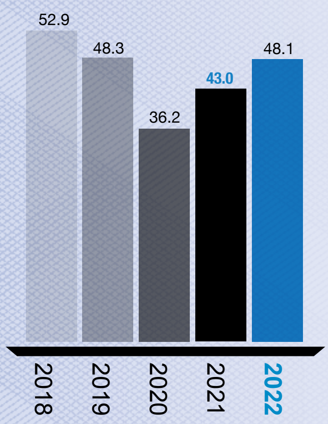
- According to the company's data as in 31/12/2021, it has completely lost its capital, and it is currently restructuring the capital.
- The company's products have been certified in Saudi Arabia, and several parties are contracting to get supplied with these products, which will improve the company's performance.

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

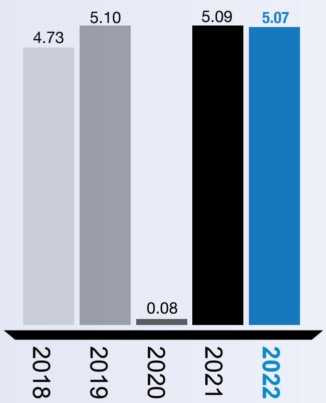
- The company incurred losses amounting to (102 thousand KD) for the fiscal year ending in 2021, according to the financial statements submitted by the company's management, in return for losses (86 thousand KD) for the year 2020.
- The company is in liquidation.

NIC Financial Performance (2018 - 2022)

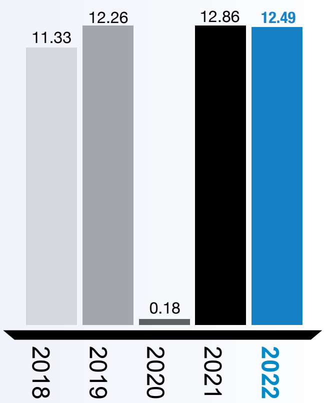
Item	2022	2021	2020	2019	2018
Capital (KD)	**35,089,162**	35,089,162	35,089,162	35,089,162	35,058,421
Sales (KD)	**48,133,371**	43,047,066	36,193,369	48,348,951	52,923,210
Invested Assets (KD)	**118,977,219**	121,200,530	118,263,144	114,384,102	112,032,229
Shareholders' Equity (KD)	**86,310,981**	88,556,887	84,256,302	84,099.143	83,957,502
Net Profit (KD)	**4,383,397**	4,513,851	(63,334)	4,292,645	3,969,302
Dividend (fils)	**12.52**	12.9	(0.18)	12.26	11.33
Book Value (fils)	**246**	252	240	240	239
Return on Capital	**12,49%**	12,86%	(0,18)%	12,23%	11,33%
Return on Equity	**5.079%**	5.097%	0,075%	5.104%	4.73%
Dist. Profit Cash (fils)		10	-	10	10
Dist. Profit Bonus		-	-	-	-



Sales *(KD million)*

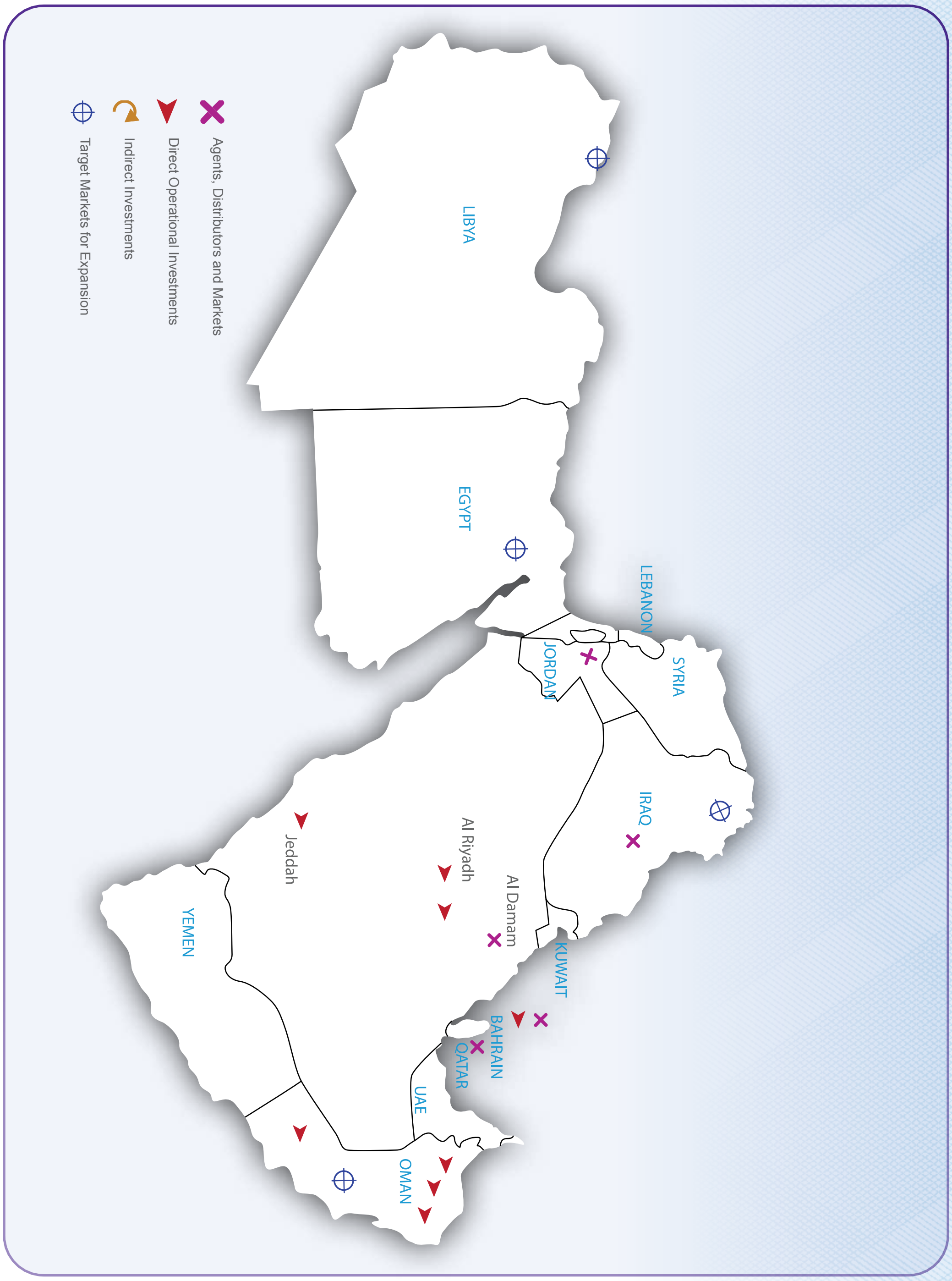


Return on Equity *(%)*



Dividend *(fils)*

Company’s Regional Investments & Distributors



GOVERNANCE 2022

The Board of Directors of the National Industries Company (K.S.C.P) is committed to maintaining high standards in the field of governance in line with the needs of the company and the interests of all our stakeholders, while ensuring that values, attitudes and behaviors are consistent in all areas of work. The Board of Directors believes that effective and strong governance is necessary to protect shareholders' rights, achieve sustainable growth and ensure that the company's activities are conducted in a responsible and transparent manner.

The Board of Directors has adopted the company's "Governance Manual". It is continuously updated in accordance with all legal and regulatory requirements related to the governance rules.

FIRST RULE
BUILDING A BALANCED BOARD STRUCTURE

BOD Structure

The Board of Directors of the company was elected during the General Assembly held on 21/4/2022 with 5 members:

Member	Position	Qualifications and Experience	Date of election
Mr. Abdulaziz Ibrahim Al-Rabiah	Chairman (Non-Executive)	Bachelors Degree	21/4/2022
Mr. Hamad Mohammed Al-Saad	Deputy Chairman and Managing Director (Executive)	Bachelors Degree	21/4/2022
Mr. Ahmad Mohammad Hassan	Member (Non-Executive)	Bachelors Degree	21/4/2022
Dr. Adel Khaled Al Subeih	Member (Non-Executive)	Ph.D.	21/4/2022
Mr. Abdullrahman Shaikhan Al-Farisi	Member (Independent)	Bachelors Degree	21/4/2022
Mr. Hani Mohammed El-Sherbini	Board Secretary	Bachelors Degree	21/4/2022

The Company's Board of Directors meetings during the year 2022, through the following statement:

Member	Meeting 1 dated in 15/2/2022	Meeting 2 dated in 16/3/2022	Meeting 3 dated in 21/4/2022	Meeting 4 dated in 12/5/2022	Meeting 5 dated in 3/8/2022	Meeting 6 dated in 1/11/2022	Meeting 7 dated in 28/12/2022	Number of meetings held
1. Mr. Abdulaziz Ibrahim Al-Rabiah (Chairman)	✓	-	✓	✓	✓	✓	✓	6
2. Mr. Hamad Mohammed Al-Saad (Deputy Chairman)	✓	✓	✓	✓	✓	✓	✓	7
3. Dr. Adel Khaled Al Subeih (Member)	✓	✓	✓	✓	✓	✓	✓	7
4. Mr. Ahmad Mohammad Hassan (Member)	✓	✓	✓	✓	✓	✓	✓	7
5. Mr. Abdullrahman Shaikhan Al-Farisi (Independent Member)	✓	-	✓	✓	✓	-	✓	5
6. Mr. Hani Mohammed El-Sherbini (Board Secretary)	✓	✓	✓	✓	✓	✓	✓	7

Recording, coordinating and preserving minutes of meetings of the Board of Directors.

- The Board of Directors appointed Mr. Hani Mohamed El-Sherbiny, Secretary of the Board of Directors, pursuant to Board Resolution No. 5 of 2022 from among the company's employees.
- The Secretary of the Board of Directors documents the meetings of the Board, and prepares minutes of meeting which include the discussions and deliberations that took place, and documents the decisions of the Board and the results of voting, keeping them in a special organized record of a hard copy and an electronically archived soft copy, all attending members sign these minutes to be preserved.
- The minutes of the meeting are arranged sequentially, and the location with the date of the meeting are specified therein.
- The Secretary of the Board of Directors signs the minutes of meeting for himself and all 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.


شركة الصناعات الوطنية
NATIONAL INDUSTRIES COMPANY

SECOND RULE
PROPER IDENTIFICATION OF TASKS AND RESPONSIBILITIES

The primary role of the Board of Directors is to provide leadership to the company, within the framework of prudent and effective controls. The Board of Directors has the responsibilities of monitoring and supervising the executive management and works to achieve the company's strategic goals by ensuring that the executive management performs the tasks entrusted to it to the fullest and makes sure that all decisions The procedures of the executive management are always in the interest of the shareholders.

The Company has defined the tasks and powers of the Board of Directors and members of the Executive Management through the approval of the work charter of the Board of Directors and its committees, the work charter of the executive management and the financial and administrative powers.

Board of Directors Achievements in 2022

During the fiscal year ending on 12/31/2022, the Board of Directors held 7 meetings, in addition to some decisions that were taken by circulation. During those meetings, the following took place:

- Developing the company's strategic plan and interim goals and supervising its implementation and follow-up.
- Discussing and approving the company's estimated budget, as well as the company's interim and annual financial statements.

- Developing and approving 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 the decisions taken by either of them is not affected.
- The Board of Directors supervised and monitored the executive management of the company and ensured 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 determining 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.
- Supervise the application of administrative and financial regulations and systems and ensure 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. 4 of 2022 on 12/5/2022.

Formation of the committee:

Mr. Ahmed Mohamed Hassan	Chairman of the Committee
Dr. Adel Khaled Al Subeih	Member
Mr. Abdullrahman Shaikhan Al-Farisi	Member

- The Committee held 5 meetings during the year 2022.
- The quorum for a committee meeting is the presence of two members.
- The term of membership in the committee is (3) years or the eligibility for board elections, 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. Ensure the company's compliance with laws, policies and systems.
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 may be encountered.
11. Assisting the Board of Directors in determining and evaluating the acceptable risk level.
12. Reviewing the organizational structure of risk management.
13. Ensuring the independence of the risk management personnel and ensuring that they have a full understanding of the risks might be encountered.
14. Preparing periodic reports on the nature of the risks that the company may encounter.

Second: Nominations and Remuneration Committee:

The Board of Directors formed the committee at the Board of Directors meeting No. 4 of 2022 on 12/5/2022.

Formation of the committee:

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

- The committee held two meetings in 2022.
- The quorum for the committee meeting is the presence of two members
- The term of membership in the committee is (3) years or the eligibility for board elections, 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 the 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 2022, the total remunerations of the members of the Board of Directors amounted to KD 150 thousand, which are subject to the approval of the shareholders during the General Assembly of the company.

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)	
members	Medical insurance	Annual Bonus	Committees' Remunerations	Medical insurance	Total monthly salaries during the year	Annual Bonus	Committees' Remunerations
5	-	150,000	-	-	-	-	-

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

	Remunerations and benefits through the parent company							Remunerations and benefits through subsidiaries						
	Fixed Remuneration and Benefits (KWD)						Variable Remuneration and Benefits (KWD)	Fixed Remuneration and Benefits (KWD)						Variable Remuneration and Benefits (KWD)
Total number of executive positions	Monthly salaries (total during the year)	Medical insurance	Annual tickets	housing allowance	Transportation allowance	Exceptional bonus	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 583,305	-	-	-	KD 13,637	KD 71,072	1,265,448 Shares	-	-	-	-	-	-	-

In 2022, no significant deviations from the company's remuneration policy were recorded.

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 31/12/2022.

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 21/4/2022, 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 2022, 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.

شركة الصناعات الوطنية
NATIONAL INDUSTRIES COMPANY
www.nicbm.com

التاريخ : 2023/3/6

السادة / مساهمي شركة الصناعات الوطنية (ش.م.ك.ع) المحترمين

تحية طيبة وبعد ،

يتعهد مجلس إدارة شركة الصناعات الوطنية (ش.م.ك.ع) بأن البيانات المالية للشركة للسنة المالية المنتهية في 2022/12/31 قد تم عرضها بصورة سليمة وعادلة ووفقاً لمعايير المحاسبة الدولية المطبقة في دولة الكويت والمعتمدة من قبل هيئة أسواق المال ، حيث تم بذل العناية الواجبة للتحقق من سلامة ونزاهة هذه التقارير .

حمد محمد السعد
نائب رئيس مجلس الإدارة والرئيس التنفيذي

شركة الصناعات الوطنية
NATIONAL INDUSTRIES COMPANY
www.nicbm.com

التاريخ : 2023/3/6

السيد / رئيس مجلس الإدارة المحترم

السادة / أعضاء مجلس الإدارة المحترمين

تحية طيبة وبعد ،

تتعهد الإدارة التنفيذية متمثلة في المدير العام والمدير التنفيذي للإدارة المالية بأن البيانات المالية للشركة للسنة المالية المنتهية في 2022/12/31 قد تم عرضها بصورة سليمة وعادلة ووفقاً لمعايير المحاسبة الدولية المطبقة في دولة الكويت والمعتمدة من قبل هيئة أسواق المال ، وأنها تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية وفق المعايير الدولية للتقارير المالية المعتمدة من قبل هيئة أسواق المال والجهات الرقابية.

لافي عبدالله العجيلي
المدير العام

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. company's board of directors is striving to strengthen internal control in the company 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 company'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 company's Board's Risk Management.
- The internal audit unit, in coordination with the Board's Internal Audit and Risk Management Committee, verifies the adequacy and effectiveness of the company's internal control systems.

SIXTH RULE

PROMOTING PROFESSIONAL CONDUCT AND ETHICAL VALUES

- The Company is interested in establishing standards of professional conduct that all its employees adhere to, in all transactions and in all places in which they conduct their duties. The Company works on motivating and creating a culture of reporting of non-compliance cases immediately to the competent authority, In case of any doubts concerning non-compliance with the code of ethics. and 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.
- The Board of Directors has adopted 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 the employees of the Company are bound by its terms.
- 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

- The Company is committed to accurate and timely disclosure in order to protect investors and promote their trust in it.
- Disclosure shall be made through the website of the Boursa Kuwait Company, as well as the company's website.
- Members of the Board of Directors and the Executive Management have to disclose in a special register prepared for this purpose.
- The Company keeps a special record including remunerations, salaries and incentives granted to members of the Board of Directors and Executive Management. Shareholders may get accessed to this record, free of charge.
- Members of the Board of Directors and the Executive Management are committed to a strict confidentiality of all the Company's business and activities.
- The Investor Relations Unit (IRU) was established to play its role in organizing investor affairs in the Company 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.
- The Company 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 its website. This website contains detailed information about the company, including information about the Board of Directors and Executive Management and other information about the Company's main activities and details of the financial statements. In addition, the website has a section for Corporate Governance and Disclosures.

EIGHTH RULE
RESPECTING RIGHTS OF SHAREHOLDERS

- The Board of Directors makes sure that the shareholders effectively participate in making the decision, and respect their rights, including the right of attending the general assemblies, discussing the subjects of the General Assembly that brought to attention, voting for the resolutions of the General Assembly, electing and dismissing Board Members, and the right of reservation and objection to General Assembly resolutions as well as the right to oversee the management of the company, The right to discuss the topics on the agenda and to ask the members of the Governing Council and the Comptroller.
- The Company has signed and executed an agreement with 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 protection of the rights of stakeholders in the company is emplemented in accordance with the laws that provide them with the opportunity to obtain actual compensation in the event of any violation of any of their rights.
- The Board of Directors adopted the Stakeholders Rights Protection Policies and Procedures Manual to be acted upon.
- The Company is committed to respecting and protecting the rights of stakeholders under the relevant laws in force in the State of Kuwait, such as the Labor Law, the Companies Law and its implementing regulations, as well as the contracts concluded between the two parties.
- The Company confirms the right of the stakeholders to the information available and issued by the company through the printed annual reports that are distributed to the shareholders before the convening of the General Assembly, as well as by publishing them on the company's website.
- The Company encourages the stakeholders to participate in all of its activities, and to enhance cooperation with stakeholders in order to contribute to compliance with the goals and values of the company and society and to achieve development goals.
- The Company's website acts as a platform for any concerned party wishing to communicate and report any violations or complaints by stakeholders, and the content of the complaint remains confidential and the complainant is protected.

TENTH RULE
ENHANCING AND IMPROVING PERFORMANCE

- Members of the Board of Directors and Executive Management of the Company are keen to continuously train and participate in conferences and seminars in order to develop their skills and expertise in the Company's work and related activities.
- The Company relies on distance training to implement some training programs for board members and executive management through courses organized by the Kuwait Foundation for Scientific Progress, the Abdulaziz H. Al Sagar Development Center of the Kuwait Chamber of Commerce and Industry, as well as other training institutions both in attendance and online.
- The Company prepares an annual training plan for its employees. Courses take place either inside or outside Kuwait. The courses are coordinated with local authorities (Kuwait Foundation for Scientific Progress and others). It also ensures that the relevant employees attend workshops organized by Kuwait Stock Exchange.
- The Governing Council's Nominations and Remuneration Committee evaluates annually the performance of the Council as a whole and of each individual member on the basis of objective performance indicators.
- The company's executive management members are evaluated annually on the basis of the objective performance indicators of executive management.
- The Board of Directors works to create institutional values within the Company by establishing and providing mechanisms and procedures that work to achieve the Company's strategic objectives and improve performance rates, thereby effectively contributing to the creation of institutional values among employees and motivating them to work continuously.

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

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

ELEVENTH RULE
IMPORTANCE OF SOCIAL RESPONSIBILITY

The National Industries Company (K.P.S.C) believes in the importance of achieving a balance between the objectives of the company and those that the community seeks to achieve through contributing to community service and the process of social development. For this purpose, the Board of Directors has adopted the Social Responsibility Policies Manual to be acted upon. The company adopts a social message that aims to enrich its contributions in community service, realizing that this community has rights and duties on its children, whether they are individuals or companies, and this has been achieved through several channels according to the following:

1. The company contributed to meeting the needs of society in the field of employment and training, and provided the opportunity for all types of field training for government and private agencies.
2. The company was keen to provide a safe and stable work environment for all employees in the various branches of the company to provide them with the opportunity for job stability.
3. Providing the opportunity for Kuwaiti graduates to find suitable work for them, and the company has succeeded in achieving national employment rates in accordance with the laws and regulations regulating. It also provided support, training and development to elevate them to the highest career levels.
4. Emphasis on the commitment to the compatibility of the product offered by the company to the community with the environment, and the company continues its efforts in adopting and implementing many community service programs that are consistent with the company's mission and values.
5. The company supported a national initiative to support and encourage the use of energy-saving LED lighting systems, which achieve savings for the citizen and the country at the same time.
6. The company offered LED lights for sale to the public in the company's four sales centers at nominal prices in order to encourage their use.
7. Encouraging the public to save energy by applying thermal insulation and confirming its impact on saving energy use in Kuwait and making explanatory videos.
8. The company supports some graduation projects related to its field of work, and receives students to do studies and master's theses on the company's business and its various activities.

9. With the release of building permits, the company conducted enlightening workshops for some committees in the new residential areas and areas that have not been distributed, and courses on how to choose a contractor, mobilize building materials, and provide halls nearby or at the project sites itself or on buses prepared to receive visitors.
10. The company also made offers to take advantage of, including segments of contractors, supply chains, engineering offices and laboratories.
11. Examination of some materials in the eyes of citizens and showing the differences between strength and hardness to distinguish the best, in addition to the method of choosing the most suitable iron, white bricks, the complete isolation system and the complete survey
12. Introduce citizens to the steps to be followed for government transactions necessary for the construction process.
13. Contribute to the re-establishment of (Seafarer's Day) and contribute chairs and floors from the company's products.
14. Supporting state schools in beautifying floors and repainting school walls from the company's products.
15. Putting traffic bumpers next to some schools from the company's products.
16. Making designs for the National Committee for Sadu, and it has been placed in the National Museum Street.
17. Contribute to the provision of flower beds for the project to support the initiators of the Jaber Al-Ahmad Bridge Island site.
18. Providing no less than 6,000 Ramadan meals for workers.

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

1. The company's website.
2. The daily newspapers.
3. The report of the board of directors which includes the governance report.
4. The company's web pages on social media.

Internal Audit Committee's 2022 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 the Company 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. 4 of 2022, as follows:

Mr. Ahmad Mohammed Hassan	Head of Committee
Dr. Adel Khaled Al Subeih	Committee Member
Mr. Abdullrahman Shaikhan Al-Farisi	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 (Head of Committee)	✓	✓	✓	✓	✓	5
Mr. Hamad Mohammad Al-Saad (Head of Committee)	✓	✗	✗	✗	✗	1*
Dr. Adel Khaled Al Subeih (Committee Member)	✗	✓	✓	✓	✓	4*
Mr. Abdullrahman Shaikhan Al-Farisi (Committee Member)	✓	✓	✓	✓	✗	4

* The re-formation of the committee took place on 22/5/2022.

It is of our pleasure to present herein the report that states the achievements of the committee during the financial year ended in 31/12/2022 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 the Company’s Financial Statements.
3. Studying the accounting policy of the Company.
4. Evaluating the adequacy of the internal control systems applied in the Company
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 the Company 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 the Company may face.
11. Assisting the Board of Directors in determining and evaluating the Company’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 Company’s own risks.
14. Preparing periodic reports on the nature of the risks that the Company 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 Company’s interim and annual Financial Statements, as well as the auditors’ reports, before submitting them to the Company’s board of directors

2. Auditing and approving the Company’s 2022 estimated balance sheet:

The committee is auditing the Company’s annual estimated balance sheet and submitted it to be presented to the Company’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 the Company’s auditor in 2022.

Commettee Head
Ahmad Mohammad Hassan

Consolidated Financial Statements and Independent Auditor's Report

National Industries Company - KPSC
and Subsidiaries - KUWAIT
31 December 2022

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 2022, 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 2022, 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.

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 31.

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 2022

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 2022, 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 2022 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 2022 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
6 March 2023

Consolidated Statement of Profit or Loss

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Continued Operations			
Revenue			
Revenue from sales and contacts with customers	8	**48,133,371**	43,047,066
Cost of sales and contacts with customers		**(37,900,548)**	(33,007,575)
Gross profit		**10,232,823**	10,039,491
Other operating income	9	**1,104,044**	951,235
Investment income	10	**683,020**	1,294,156
Change in fair value of investment properties	16	**178,292**	520,000
Share of results of associates	17	**(252,380)**	(104,624)
Foreign exchange loss		**(2,833)**	(4,174)
		11,942,966	12,696,084
Expenses and other charges			
Distribution expenses		**(2,217,004)**	(2,559,321)
General, administrative and other expenses		**(4,488,508)**	(3,835,311)
Finance costs		**(139,068)**	(66,777)
Impairment in value of receivables and other assets	21	**(210,268)**	(227,469)
Profit before provision for contribution to KFAS, NLST, Zakat and Directors' remuneration		**4,888,118**	6,007,206
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(42,813)**	(44,088)
Provision for National Labour Support Tax (NLST)		**(130,803)**	(136,512)
Provision for Zakat		**(49,936)**	(54,230)
Board of Directors' remuneration		**(150,000)**	(150,000)
Profit for the year from continued operations		**4,514,566**	5,622,376
Discontinued operations			
Loss for the year from discontinued operations	7.2	**(245,790)**	(1,643,743)
Profit for the year	12	**4,268,776**	3,978,633
Attributable to:			
Owners of the Parent Company		**4,383,397**	4,513,851
Non-controlling interests		**(114,621)**	(535,218)
Profit for the year		**4,268,776**	3,978,633
Basic earnings/(loss) per share attributable to the owners of the Parent Company			
- From continued operations		**12.87**	15.25
- From discontinued operations		**(0.35)**	(2.35)
Total – Fils	13	**12.52**	12.90
Diluted earnings/(loss) per share attributable to the owners of the Parent Company			
- From continued operations		**12.83**	15.20
- From discontinued operations		**(0.35)**	(2.34)
Total – Fils	13	**12.48**	12.86

The notes set out on pages 40-87 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Profit for the year	**4,268,776**	3,978,633
Other comprehensive income:		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences from translation of foreign operations	**74,062**	(24,215)
Share of other comprehensive income of associates	**694**	1,099
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**74,756**	(23,116)
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	**(3,171,245)**	(98,491)
Total other comprehensive loss	**(3,096,489)**	(121,607)
Total comprehensive income for the year	**1,172,287**	3,857,026
Total comprehensive income attributable to:		
Owners of the Parent Company	**1,264,875**	4,399,231
Non-controlling interests	**(92,588)**	(542,205)
	1,172,287	3,857,026

The notes set out on pages 40-87 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Assets			
Non-current assets			
Property, plant and equipment	14	20,319,927	21,067,347
Right of use assets	15	2,307,286	3,365,624
Investment properties	16	8,600,000	8,350,000
Investment in associates	17	1,170,325	1,392,128
Investments at fair value through other comprehensive income	18	25,278,275	29,106,655
		57,675,813	63,281,754
Current assets			
Inventories and spare parts	19	25,827,859	24,040,483
Investments at fair value through profit or loss	20	3,016,799	3,048,993
Accounts receivable and other assets	21	13,615,561	10,124,562
Wakala investments	22	12,550,000	6,050,000
Cash and bank balances	23	3,614,242	8,804,726
		58,624,461	52,068,764
Assets included in disposal group classified as held for sale	7.2	1,091,483	4,262,766
Total assets		117,391,757	119,613,284
Equity and liabilities			
Equity			
Share capital	24	35,089,162	35,089,162
Share premium	24	32,565,638	32,565,638
Treasury shares	25	(223,050)	(239,517)
Legal reserve	26	6,949,687	6,473,992
Voluntary reserve	26	1,388,942	913,247
Staff bonus shares reserve	33	194,459	198,565
Other components of equity	27	6,808,951	9,941,615
Retained earnings		3,537,192	3,614,184
Total equity attributable to the owners of the Parent Company		86,310,981	88,556,886
Non-controlling interests		1,829,891	3,507,941
Total equity		88,140,872	92,064,827
Non-current liabilities			
Provision for land filling expenses	28	546,719	531,208
Lease liabilities - non-current portion	29	1,197,881	2,018,457
Provision for employees' end of service benefits		7,371,548	7,154,650
		9,116,148	9,704,315
Current liabilities			
Due to banks	23	800,288	1,147,192
Lease liabilities – current portion	29	1,069,069	1,009,996
Murabaha payable		-	378,667
Accounts payable and other liabilities	30	17,998,048	15,163,572
		19,867,405	17,699,427
Liabilities included in disposal group classified as held for sale	7.2	267,332	144,715
Total liabilities		29,250,885	27,548,457
Total equity and liabilities		117,391,757	119,613,284

Abdul Aziz Ibrahim Al-Rabia
Chairman

Hamad Mohammed Al-Saad
Vice-chairman and Chief Executive Officer

The notes set out on pages 40-87 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 27) KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2022	**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**
Purchase of treasury shares	**-**	**-**	**(306,031)**	**-**	**-**	**-**	**-**	**-**	**(306,031)**	**-**	**(306,031)**
Cost of share-based payments (note 33)	**-**	**-**	**-**	**-**	**-**	**301,683**	**-**	**-**	**301,683**	**-**	**301,683**
Issue of staff bonus shares (note 33)	**-**	**-**	**322,498**	**-**	**-**	**(305,789)**	**(14,142)**	**(2,567)**	**-**	**-**	**-**
Change in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,585,462)**	**(1,585,462)**
Cash dividends (note 32)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,506,432)**	**(3,506,432)**	**-**	**(3,506,432)**
Transactions with the owners	**-**	**-**	**16,467**	**-**	**-**	**(4,106)**	**(14,142)**	**(3,508,999)**	**(3,510,780)**	**(1,585,462)**	**(5,096,242)**
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,383,397**	**4,383,397**	**(114,621)**	**4,268,776**
Other comprehensive (loss)/ income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(3,118,522)**	**-**	**(3,118,522)**	**22,033**	**(3,096,489)**
Total comprehensive (loss)/ income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(3,118,522)**	**4,383,397**	**1,264,875**	**(92,588)**	**1,172,287**
Transferred to reserves	**-**	**-**	**-**	**475,695**	**475,695**	**-**	**-**	**(951,390)**	**-**	**-**	**-**
Balance as at 31 December 2022	**35,089,162**	**32,565,638**	**(223,050)**	**6,949,687**	**1,388,942**	**194,459**	**6,808,951**	**3,537,192**	**86,310,981**	**1,829,891**	**88,140,872**
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 33)	-	-	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

The notes set out on pages 40-87 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
OPERATING ACTIVITIES			
Profit for the year on the continued operations		**4,514,566**	5,622,376
Adjustments:			
Depreciation of property, plant and equipment		**2,861,699**	2,815,461
Amortization of right of use Assets		**1,459,091**	1,478,969
Change in fair value of investment properties		**(178,292)**	(520,000)
Loss on write off of property, plant and equipment		**2,946**	3,547
Share of results of associates		**252,380**	104,624
Dividend income from investments at fair value through other comprehensive income		**(547,762)**	(151,638)
Income from wakala and murabaha investments		**(184,694)**	(103,784)
Cost of share-based payment		**301,683**	-
Interest income and other income		**(48,189)**	(41,381)
Finance costs		**139,068**	66,777
Provision for land filling expenses		**15,511**	19,014
Provision for obsolete and slow-moving items		**37,055**	-
Impairment in value of receivable and other assets		**210,268**	227,469
Provision for employees' end of service benefit		**934,073**	571,809
		9,769,403	10,093,243
Changes in operating assets and liabilities:			
Inventories and spare parts		**(1,824,431)**	(1,676,127)
Investments at fair value through profit or loss		**32,194**	(898,294)
Accounts receivable and other assets		**(2,114,021)**	(176,407)
Accounts payable and other liabilities		**1,247,230**	268,587
Operating cash flow		**7,110,375**	7,611,002
Employees' end of service indemnity paid		**(717,175)**	(377,925)
Net cash from continuing operations		**6,393,200**	7,233,077
Net cash from/(used in) discontinued operations	7.2	**475,190**	(107,023)
Net cash flows from operating activities		**6,868,390**	7,126,054

The notes set out on pages 40-87 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
INVESTING ACTIVITIES			
Additions of property, plant and equipment		(2,117,225)	(1,545,586)
Purchase of and additions to investment properties		(71,708)	(3,030,000)
Purchase of investments at fair value through other comprehensive income		(289,178)	(12,863)
Proceed from dividends of an associate		113	75,847
Proceed from sale/redemption of investments at fair value through OCI		946,313	119,585
Murabaha Investment		-	4,851,974
Dividend income received from investments at fair value through other comprehensive income		547,762	151,638
Change in wakala investments maturing after 3 months		1,000,000	(3,000,000)
Income received from wakala and murabaha investments		184,694	103,784
Interest income and other income received		48,189	41,381
Net cash from/(used in) continuing operations		248,960	(2,244,240)
Net cash from discontinued operations	7.2	2,764,394	-
Net cash flows from/(used in) investing activities		3,013,354	(2,244,240)
FINANCING ACTIVITIES			
Murabaha payable		(378,667)	378,667
Purchase of treasury shares		(306,031)	(98,647)
Finance costs paid		(139,068)	(66,777)
Lease liabilities paid		(1,162,256)	(1,466,275)
Dividends paid		(3,506,432)	-
Net cash used in continuing operations		(5,492,454)	(1,253,032)
Net cash used in discontinued operations	7.2	(1,585,462)	-
Net cash flows used in financing activities		(7,077,916)	(1,253,032)
Net increase in cash and cash equivalents		2,803,828	3,628,782
Cash and cash equivalents at beginning of the year		10,113,776	6,484,994
Cash and cash equivalents at the end of the year (with the disposal group)		12,917,604	10,113,776
Cash and cash equivalents attributable to the disposal group	7.2	(603,650)	(456,242)
Cash and cash equivalents at end of the year	23	12,313,954	9,657,534

The notes set out on pages 40-87 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 6 March 2023 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

The following new amendments or standards were effective for the current period.

Standard or Interpretation	Effective for annual periods beginning
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
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 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

The adoption of the amendments did not 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.

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

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

The adoption of the amendment did not 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.

The adoption 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 these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

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

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of current and non-current	1 January 2024
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IFRS 16 Amendments- Leases	1 January 2024

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

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

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

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

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

IAS 1 Amendments – 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 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities as current or non-current depends only on the covenants that an entity is required to comply with on or before the reporting date. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants which could become repayable within twelve months.

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 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

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

IAS 16 Amendments – Leases

The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

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 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.
  - the Group has transferred substantially all the risks and rewards of the asset or
  - the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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 wakala investments*

Cash on hand and demand deposits are classified under bank balances and cash and wakala investments 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.

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 37.

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 33). 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 39 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.

6.1.6 Significant influence

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

6.2 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.

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.

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. 2022 %**	31 Dec. 2021 %	Purpose
Building Systems Industries Company - WLL (7.1.1)	Kuwait	**98**	98	Construction and contracting
National Industries Company for Ceramic - KSCC (7.1.2)	Kuwait	**86.427**	86.427	Manufacturing
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 2022. 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 2022.

7.1.3 The Group consolidated Scomi Oil Tools Gulf Company – WLL using the management accounts for the financial year ended 31 December 2022.

7.1.4 The Group consolidated Kuwait Building Company for the Sale and Purchase of Land and Real Estate – WLL using the audited financial statements for the financial year ended 31 December 2022.

Notes to the Consolidated Financial Statements *(continued)*

7. Subsidiaries (continued)

7.2 Disposal group classified as held for sale and discontinued operations

During the year 2020 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. Consequently, the assets and liabilities assigned to this subsidiary have been classified as a disposal group held for sale from 31 December 2020. However, the exit from the investment was delayed due to the impact of COVID 19 pandemic and various other factors, but the Group's management has been actively seeking to exit the investment and expects it to be completed during the year 2023.

During the current year, the Saudi Insulation Bricks Company – WLL (subsidiary) has entered into an agreement with a third party to sell part of the property, plant & equipment held by the subsidiary for a consideration of Saudi Riyals 40,000,000 (equivalent to KD3,252,228), and has also entered into another agreement with the Parent company to sell the remaining property, plant & equipment held by the subsidiary for a consideration of Saudi Riyals 3,750,000 (equivalent to KD304,896). The consideration from the third party amounting to Saudi Riyals 40,000,000 is to be received in five instalments and amounts of Saudi Riyals 2,764,395 was received up to 31 December 2022 and remaining balance of Saudi Riyals 487,833 was received in January 2023.

The above transactions in the subsidiary has resulted in loss of KD168,226. The Parent Company's management is confident that, based on information available at present, the expected net liquidation proceeds of the subsidiary is not expected to be materially different from the net assets value of the disposal group stated in the consolidated statement of financial position as of 31 December 2022.

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. Accordingly, the Group has recorded the net results of the subsidiary based on the latest available managements accounts as of 31 December 2022 under the heading discontinued operations in the consolidated statement or profit or loss. The Group's ownership in this company is 50% of the capital. 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. 2022 KD	Year ended 31 Dec. 2021 KD
Revenue		
Sales revenue	**-**	31,544
Cost of Sales	**-**	(18,585)
Gross profit	**-**	12,959
Loss on sale of property, plant & equipment	**(168,226)**	-
Impairment loss on property, plant and equipment	**-**	(1,538,686)
Other operating income	**103,973**	1,244
	(64,253)	(1,537,442)
Expenses and other charges		
General and administrative expenses	**(181,537)**	(119,260)
	(181,537)	(119,260)
Loss for the year from discontinued operations	**(245,790)**	(1,643,743)
Non-controlling interests related to discontinued operations	**(122,895)**	(821,872)

Notes to the Consolidated Financial Statements *(continued)*

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

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Assets		
Non-current assets		
Property, plant and equipment (refer note above)	-	3,768,126
	-	3,768,126
Current assets		
Receivables and other assets	487,833	38,398
Cash and bank balances	603,650	456,242
	1,091,483	494,640
Total assets included in the disposal group as held for sale	1,091,483	4,262,766
Current liabilities		
Payables and other liabilities	267,332	144,715
	267,332	144,715
Total liabilities included in the disposal group as held for sale	267,332	144,715
Net assets included in the disposal group	824,151	4,118,051
Non-controlling interests related to disposal group	412,076	2,059,022

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

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Operating activities	475,190	(107,023)
Investing activities	2,764,394	-
Financing activities	(1,585,462)	-
Net cash flows	1,654,122	(107,023)

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. 2022 %	31 Dec. 2021 %	31 Dec. 2022 KD	31 Dec. 2021 KD	31 Dec. 2022 KD	31 Dec. 2021 KD
Saudi Insulation Bricks Company – WLL (Note 7.2)	50%	50%	(122,895)	(821,872)	372,702	2,059,022
National Industries Company for Ceramic – KSCC (see “a” below)	13.573%	13.573%	(11,921)	59,736	1,382,841	1,394,766
Individually immaterial subsidiaries with non-controlling interests			20,195	226,918	74,348	54,153
			(114,621)	(535,218)	1,829,891	3,507,941

No dividends were paid to the NCI during the years 2022 and 2021.

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. 2022 KD	31 Dec. 2021 KD
Non-current assets	11,611,282	12,432,945
Current assets	9,135,408	8,688,931
Total assets	20,746,690	21,121,876
Non-current liabilities	721,209	738,104
Current liabilities	16,253,675	15,954,243
Total liabilities	16,974,884	16,692,347
Equity attributable to the owners of the Parent Company	3,259,859	3,828,309
Non-controlling interests	511,947	601,220
Total equity	3,771,806	4,429,529

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Revenue	5,717,836	5,800,188
(Loss)/profit for the year attributable to the owners of the Parent Company	(568,450)	155,900
(Loss)/profit for the year attributable to NCI	(89,273)	24,484
(Loss)/profit for the year	(657,723)	180,384
Total comprehensive (loss)/income for the year attributable to the owners of the Parent Company	(568,450)	155,900
Total comprehensive (loss)/income for the year attributable to NCI	(89,273)	24,484
Total comprehensive (loss)/income for the year	(657,723)	180,384
Net cash flow from operating activities	629,913	414,149
Net cash flow used in investing activities	(697,250)	(546,478)
Net cash flow used in financing activities	(217,720)	(186,376)
Net cash flow	(285,057)	(318,705)

8. REVENUE FROM SALES AND CONTRACTS WITH CUSTOMERS

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Sale of building materials and infrastructure materials and Services	47,872,795	42,702,007
Contracting revenue	260,576	345,059
	48,133,371	43,047,066

9. OTHER OPERATING INCOME

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Investment property income	369,778	260,503
Other income	734,266	690,732
	1,104,044	951,235

10. INVESTMENT INCOME

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Dividend income from investments at fair value through other comprehensive income	547,762	151,638
Dividend income from investments at fair value through profit or loss	156,966	78,562
Unrealized (loss)/gain from investments at fair value through profit or loss	(254,591)	918,791
Income from wakala and murabaha investments	184,694	103,784
Interest income and other income	48,189	41,381
	683,020	1,294,156

11. NET (LOSS)/GAIN ON FINANCIAL ASSETS

Net (loss)/gain on financial assets analysed by category, is as follows:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Financial assets at amortised cost:		
- Interest income	48,189	37,175
- Income from wakala and murabaha investments	184,694	103,784
- Impairment in value of receivables and other assets	(210,268)	(227,469)
Financial assets at FVTPL:		
- Unrealised (loss)/gain	(254,591)	918,791
- Dividend income	156,966	78,562
Financial assets at FVOCI:		
- recognised directly in other comprehensive income (including NCI share)	(3,171,245)	(98,491)
- recognised directly in consolidated statement of profit or loss as dividend	547,762	151,638
	(2,698,493)	963,990
Net gain recognised in the consolidated statement of profit or loss	472,752	1,062,481
Net loss recognised in the consolidated statement of profit or loss and other comprehensive income	(3,171,245)	(98,491)
	(2,698,493)	963,990

12. PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Staff costs:		
- Included in cost of sales and contracts with customers	7,425,733	6,791,279
- Included in distribution expenses	964,354	967,711
- Included in general, administrative and other expenses	1,823,752	1,721,041
	10,213,839	9,480,031
Depreciation expenses:		
- Included in cost of sales and contracts with customers	2,462,195	2,427,521
- Included in distribution expenses	276,689	251,560
- Included in general, administrative and other expenses	122,815	136,380
	2,861,699	2,815,461
Amortisation expenses:		
- Included in cost of sales and contracts with customers	1,385,167	1,402,791
- Included in general, administrative and other expenses	73,924	76,178
	1,459,091	1,478,969

The number of staffs employed by the Parent Company at 31 December 2022 was 1,791 (2021: 1,713).

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. 2022 KD	Year ended 31 Dec. 2021 KD
Profit for the year attributable to the owners of the Parent Company from the continuing operations (KD)	4,506,292	5,335,723
Loss of the year attribute owners of the parent company from discontinued operations (KD)	(122,895)	(821,872)
	4,383,397	4,513,851
Weighted average number of shares outstanding during the year to be used to account for basic earnings per share (excluding treasury shares)	350,107,816	349,919,263
Shares to be issued for no consideration under share-based payments – note 34	1,049,786	1,119,036
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	351,157,602	351,038,299
Basic earnings/(loss) per share attributable to the owners of Parent Company		
- From continuing operations	12.87	15.25
- From discontinued	(0.35)	(2.35)
Total – Fils	12.52	12.90
Diluted earnings/(loss) per share attributable to the owners of Parent Company		
- From continuing operations	12.83	15.20
- From discontinued	(0.35)	(2.34)
Total – Fils	12.48	12.86

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 2022						
Cost						
At 1 January	**33,304,153**	**54,314,880**	**14,958,080**	**4,860,410**	**1,598,882**	**109,036,405**
Additions/transfers – Net	**368,787**	**2,272,491**	**235,883**	**97,812**	**(857,748)**	**2,117,225**
Write-off/disposals	**(3,978)**	**(145,898)**	**(28,140)**	**(78,437)**	**-**	**(256,453)**
At 31 December	**33,668,962**	**56,441,473**	**15,165,823**	**4,879,785**	**741,134**	**110,897,177**
Accumulated depreciation						
At 1 January	**26,979,783**	**43,660,810**	**12,855,703**	**4,472,762**	**-**	**87,969,058**
Charge for the year	**741,890**	**1,572,194**	**412,485**	**135,130**	**-**	**2,861,699**
Relating to write- off/disposals	**(3,977)**	**(143,459)**	**(28,136)**	**(77,935)**	**-**	**(253,507)**
At 31 December	**27,717,696**	**45,089,545**	**13,240,052**	**4,529,957**	**-**	**90,577,250**
Net book value At 31 December	**5,951,266**	**11,351,928**	**1,925,771**	**349,828**	**741,134**	**20,319,927**

	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

- 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 contracts ranging from 1 to 5 years. The movement in the right of use assets during the year is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
The balance at the beginning of the year	3,365,624	4,844,593
Additions	400,753	-
Amortisation	(1,459,091)	(1,478,969)
Balance at the end of the year	2,307,286	3,365,624

16. INVESTMENT PROPERTIES

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
The balance at the beginning of the year	8,350,000	4,800,000
Purchase of an investment property	71,708	3,030,000
Change in fair value – Note 37.3	178,292	520,000
Balance at the end of the year (refer note 37.3)	8,600,000	8,350,000

17. INVESTMENT IN ASSOCIATES

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

	Country of incorporation	Percentage of Ownership		Purpose
		31 Dec. 2022	31 Dec. 2021	
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 and it is still in process.

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. 2022 KD	31 Dec. 2021 KD
Balance at beginning of the year	1,392,128	1,581,739
Share of results of associates	(252,380)	(104,624)
Dividends	(113)	(75,847)
Share of other comprehensive income	694	1,099
Foreign exchange translation	29,996	(10,239)
	1,170,325	1,392,128

17.2 Summarised financial statements of Group's material associate is set out below:

Insulated Building Systems Factory– WLL:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Non-current assets	866,965	1,067,155
Current assets	1,560,147	1,742,833
Total assets	2,427,112	2,809,988
Non-current liabilities	17,965	18,640
Current liabilities	174,276	141,430
Total liabilities	192,241	160,070
Net assets	2,234,871	2,649,918

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Revenue	478,465	333,159
Loss for the year	(475,036)	(185,674)
Total other comprehensive income/(loss) for the year	59,990	(20,478)

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. 2022 KD	Year ended 31 Dec. 2021 KD
Group's ownership interest	50%	50%
Net assets of the associate (KD)	2,234,871	2,649,918
Group's share of net assets (KD)	1,117,436	1,324,959
Carrying amount (KD)	1,117,436	1,324,959

The Group has accounted for its share of results of this associate using the latest available management accounts.

Notes to the Consolidated Financial Statements *(continued)*

17. Investment in associates (continued)

17.3 Set out below is the aggregate information for the individually immaterial associates, based on the unaudited financial statements as at 31 December 2022 and 2021.

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Group's share of losses	(14,862)	(11,787)
Group's share of total other comprehensive income	694	1,099
Group's share of dividends	113	75,847
Aggregate carrying amount of Group's interest in these associates	52,889	67,169

18. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted securities	4,981,587	5,337,916
Local unquoted securities	10,371,259	13,357,572
Foreign quoted securities	1,335,384	1,565,125
Foreign unquoted securities	8,590,045	8,846,042
	25,278,275	29,106,655

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. INVENTORIES AND SPARE PARTS

	31 Dec. 2022 KD	31 Dec. 2021 KD
Raw materials	11,699,088	11,473,733
Finished goods and work-in-progress	10,222,027	8,775,947
Spare parts	4,118,924	3,998,341
Goods in transit	695,269	662,856
	26,735,308	24,910,877
Provision for obsolete and slow-moving items	(907,449)	(870,394)
	25,827,859	24,040,483

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec. 2022 KD	31 Dec. 2021 KD
Managed funds and portfolios	2,011,609	2,153,051
Quoted equity securities	1,005,190	895,942
	3,016,799	3,048,993

21. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	31 Dec. 2022 KD	31 Dec. 2021 KD
Financial assets:		
Trade receivables	11,185,363	7,797,330
Ultimate Parent Company current account	424,279	444,912
Due from associates	627,943	574,338
Due from a related party	1,156,937	824,942
Staff receivables	425,761	420,130
Retentions	914,749	922,417
Accrued income and other assets	249,116	214,103
	14,984,148	11,198,172
Less: Provision for doubtful debts (See 21.1 below)	(1,859,071)	(1,649,133)
	13,125,077	9,549,039
Non-Financial assets:		
Prepayments	459,657	538,955
Advances to contractors	30,827	36,568
	490,484	575,523
	13,615,561	10,124,562

21.1 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 2022 and 31 December 2021 was determined as follows:

	Not past due	More than 30 Days	More than 90 Days	More than 120 Days	More than 150 Days	More than a year	Total
31 December 2022:							
Total Carrying amount	5,520,984	4,716,309	852,433	2,045,796	566,253	1,282,373	14,984,148
Lifetime ECLs (KD)	(5,090)	(49,495)	(78,565)	(282,830)	(160,718)	(1,282,373)	(1,859,071)
Total financial assets	5,515,894	4,666,814	773,868	1,762,966	405,535	-	13,125,077
31 December 2021:							
Total Carrying amount	4,513,862	2,803,363	696,935	1,672,608	462,959	1,048,445	11,198,172
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	2,759,457	627,242	1,421,717	231,275	-	9,549,039

Notes to the Consolidated Financial Statements *(continued)*

21. Accounts receivable and other assets (continued)

21.2 The movement of the provision for doubtful debts during the year is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Opening balance	(1,649,133)	(1,421,664)
Charged during the year	(210,268)	(227,469)
Reversal of provision	330	-
Closing Balance	(1,859,071)	(1,649,133)

22. WAKALA INVESTMENTS

Wakala investments carry an average interest rate that varies from 1.8% to 5.3% (2021: 1.8% to 2%) per annum and mature within one year from the date of the consolidated statement of financial position.

23. CASH AND CASH EQUIVALENTS

	31 Dec. 2022 KD	31 Dec. 2021 KD
Cash and bank balances	3,614,242	8,804,726
Wakala investments with maturities less than 3 months	9,500,000	2,000,000
Less:		
Due to banks	(800,288)	(1,147,192)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	12,313,954	9,657,534

Due to banks carry an interest rate at 1.25% (31 December 2021: 1.25%) per annum above the CBK discount rate. They are payable on demand.

24. SHARE CAPITAL AND SHARE PREMIUM

	31 Dec. 2022 KD	31 Dec. 2021 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.

25. TREASURY SHARES

	31 Dec. 2022	31 Dec. 2021
Number of shares	1,078,061	1,285,502
Percentage of issued shares	0.307%	0.366%
Cost of treasury shares (KD)	223,050	239,517
Market value (KD)	209,144	249,387

During the year, the Parent Company issued 1,640,516 shares from treasury shares (2021: 627,191 shares) under the staff share-based payments scheme (note 33) at price ranging from KD0.169 to KD0.230 per share (2021: 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.

26. 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. The board of directors have proposed to transfer an amount of 10% to the voluntary reserve for the year ended 31 December 2022 and this is subject to approval of the shareholders at the Annual General assembly.

27. OTHER COMPONENTS OF EQUITY

	Treasury shares profit reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2022	**14,142**	**9,839,657**	**87,816**	**9,941,615**
Issue of staff bonus shares (note 33)	**(14,142)**	**-**	**-**	**(14,142)**
Exchange differences from translation of foreign operations	**-**	**-**	**52,029**	**52,029**
Share of other comprehensive income of associates	**-**	**-**	**694**	**694**
Equity investments at FVOCI:				
- Net change in fair value arising during the year	**-**	**(3,171,245)**	**-**	**(3,171,245)**
Total other comprehensive (loss)/income for the year	**-**	**(3,171,245)**	**52,723**	**(3,118,522)**
Balance at 31 December 2022	**-**	**6,668,412**	**140,539**	**6,808,951**
Balance at 1 January 2021	9,202	9,830,435	103,945	9,943,582
Issue of staff bonus shares (note 33)	4,940	-	-	4,940
Exchange differences from translation of foreign operations	-	-	(17,228)	(17,228)
Share of other comprehensive income of associates	-	-	1,099	1,099
Equity investments at FVOCI:				
- Net change in fair value arising during the year	-	(98,491)	-	(98,491)
Total other comprehensive loss for the year	-	(98,491)	(16,129)	(114,620)
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

28. PROVISION FOR LAND-FILLING EXPENSES

	31 Dec. 2022 KD	31 Dec. 2021 KD
Opening balance	**531,208**	512,194
Charged during the year	**15,511**	19,014
Closing Balance	**546,719**	531,208

29. LEASE LIABILITIES

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

The minimum future rent payments as of 31 December 2022 is as follows:

	Accrued Minimum Future Rent Payments		
	One Year KD	Between 1 year and 5 years KD	Total KD
31 December 2022:			
Lease payments	**1,184,561**	**1,241,299**	**2,425,860**
Finance costs	**(115,492)**	**(43,418)**	**(158,910)**
N Net present values	**1,069,069**	**1,197,881**	**2,266,950**

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

30. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 Dec. 2022 KD	31 Dec. 2021 KD
Trade payables	**5,387,028**	3,412,406
Advance received from customers	**2,856,617**	2,367,787
Staff payables	**146,814**	159,848
Provision for staff leave	**1,189,401**	1,361,861
Accrued expenses (See A below)	**4,307,715**	3,479,732
Due to customers for contract works	**72,772**	151,102
Other liabilities	**1,337,701**	1,530,836
Provision for government claim (see B below)	**2,700,000**	2,700,000
	17,998,048	15,163,572

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 statements included in accrued expenses, till the renewal of the contract and the payment of these amounts.

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 of 1st Instance issued a ruling ordering the Parent Company to pay an amount of USD9.3 Million to

Notes to the Consolidated Financial Statements *(continued)*

30. Accounts payable and other liabilities (continued)

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. The Court of Appeal has changed the amount from USD 9.3 Million to become USD 1.9 Million, however the ruling has been appealed and the Court of Cassation's judgment is still pending.

31. OPERATING SEGMENTS

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

The Group primarily operates in four business segments: Building materials and contracting services, oil sector, real estate and investments. The segment information is as follows:

	Building materials and contracting services		Oil sector		Real estate		Investments		Total	
	31 Dec. 2022 KD	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
Segment revenue										
From continuing operations	**43,021,262**	38,814,801	**5,842,784**	4,918,823	**548,828**	780,503	**430,640**	1,189,532	**49,843,514**	45,703,659
(Deduct)/Add:										
Other operating income									**(1,104,044)**	(951,235)
Investment income									**(683,020)**	(1,294,156)
Change in fair value of investment properties									**(178,292)**	(520,000)
Share of results of associates									**252,380**	104,624
Foreign exchange loss									**2,833**	4,174
Revenue from sales and contracts with customers as per consolidated statement of profit or loss									**48,133,371**	43,047,066
Segment results										
From continuing operations	**4,899,519**	3,894,193	**57,700**	648,336	**539,922**	753,819	**(609,023)**	710,858	**4,888,118**	6,007,206
From discontinued	**(245,790)**	(1,643,743)	**-**	-	**-**	-	**-**	-	**(245,790)**	(1,643,743)
	4,653,729	2,250,450	**57,700**	648,336	**539,922**	753,819	**(609,023)**	710,858	**4,642,328**	4,363,463
Unallocated expenses									**(373,552)**	(384,830)
Profit for the year as per consolidated statement of profit or loss									**4,268,776**	3,978,633
Depreciation and amortisation	**3,710,383**	3,940,763	**381,771**	221,722	**97,391**	19,153	**131,245**	112,792	**4,320,790**	4,294,430
Total Assets	**44,390,264**	44,390,649	**4,825,623**	5,303,061	**8,992,777**	8,829,248	**59,183,093**	61,090,326	**117,391,757**	119,613,284
Total liabilities	**21,499,133**	19,598,813	**2,221,649**	2,756,787	**86,297**	95,641	**5,443,806**	5,097,216	**29,250,885**	27,548,457
Net assets	**22,891,131**	24,791,836	**2,603,974**	2,546,274	**8,906,480**	8,733,607	**53,739,287**	55,993,110	**88,140,872**	92,064,827

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

32. 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 to distribute cash dividends of 10% or 10 Fils per share from the paid-up share capital for the year ended 31 December 2022 and to pay a remuneration of KD150,000 to the board of directors for the year ended 31 December 2022.

The annual general assembly of the Parent Company's shareholders held on 21 April 2022 approved the consolidated financial statements for the financial year ended 31 December 2021. Furthermore, it approved the board of directors' proposal to distribute cash dividends of 10% or10 Fils per share from the paid-up share capital 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, and approved the employee stock option program (2022 - 2026) and the allocation of 10 million shares from the treasury shares available to the Parent Company as bonus shares to be distributed to the employees over a period of five years from 2022 until 2026.

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. Further, the annual general assembly approved not to distribute directors' remuneration for the financial year ended 31 December 2020.

33. 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 KD301,683 (2021: KD Nil) during the year. The carrying amount of the liability relating to the plan at 31 December 2022 was KD194,459 (2021: KD198,565) 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. 2022		31 Dec. 2021	
	Share options Shares	**WAEP KD**	Share options Shares	WAEP KD
Opening balance	**1,119,036**	**0.177**	1,746,227	0.181
Granted during the year	**1,571,266**	**0.192**	-	-
Exercised during the year – note 25	**(1,640,516)**	**0.186**	(627,191)	0.188
Outstanding at 31 December – note 13	**1,049,786**	**0.185**	1,119,036	0.177

34. 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. 2022 KD	31 Dec. 2021 KD
Amounts included in the consolidated financial position:		
Ultimate Parent Company's current accounts (Note 21)	424,279	444,912
Due from a related party (Note 21)	1,156,937	824,942
Due from associates (net of impairment provisions)	11,665	9,360

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials – from related parties	884,770	821,000
Interest income	48,052	1,939
Compensation of key management personnel of the Parent Company		
Board of Directors' remuneration	150,000	150,000
Short term benefits	268,695	264,216
End of service benefits	34,859	23,802
Cost of share-based payments	301,683	-
	755,237	438,018

35. COMMITMENTS AND CONTINGENT LIABILITIES

	31 Dec. 2022 KD	31 Dec. 2021 KD
Letters of guarantee issued	6,075,198	5,760,027
Letters of guarantee issued from ultimate Parent Company	200,000	200,000
	6,275,198	5,960,027

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.

36. 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.

36.1 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. 2022 KD	31 Dec. 2021 KD
US Dollar	(155,446)	(245,590)
Omani Riyal	576,643	574,338
Pound Sterling	2,774	3,069
Euro	(335,897)	502

The foreign currency sensitivity is determined assuming 5% (2021: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

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

	Profit for the year	
	31 Dec. 2022 KD	31 Dec. 2021 KD
US Dollar	±(7,772)	±(12,280)
Other currencies	±12,176	±28,895

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)*

36. Risk management objectives and policies (continued)
36.1 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 wakala investments 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%) (2021: +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. 2022		31 Dec. 2021	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Profit for the year	117,497	(117,497)	45,241	(45,241)

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. 2022 KD	31 Dec. 2021 KD
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. 2022 KD	31 Dec. 2021 KD	31 Dec. 2022 KD	31 Dec. 2021 KD
Investments at fair value through profit or loss	131,848	137,635	-	-
Investments at fair value through other comprehensive income	-	-	382,618	423,408
Total	131,848	137,635	382,618	423,408

36.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group'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. 2022 KD	31 Dec. 2021 KD
Bank balances	**3,523,812**	8,722,220
Wakala investments	**12,550,000**	6,050,000
Accounts receivable and other assets (note 21)	**13,125,077**	9,549,039
Investments at fair value through profit or loss	**3,016,799**	3,048,993
Investments at fair value through other comprehensive income	**25,278,275**	29,106,655
	57,493,963	56,476,907

Bank balances and wakala investments are maintained with high credit quality financial institutions.

36.3 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 2022					
Due to banks	**800,288**	**-**	**-**	**-**	**800,288**
Lease liabilities	**-**	**-**	**1,184,561**	**1,241,299**	**2,425,860**
Accounts payable and other liabilities	**3,626,212**	**5,487,643**	**8,884,193**	**-**	**17,998,048**
	4,426,500	**5,487,643**	**10,068,754**	**1,241,299**	**21,224,196**
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	6,978,672	-	15,163,572
	4,528,792	5,181,967	8,089,498	2,090,852	19,891,109

37. FAIR VALUE MEASUREMENT

37.1 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).

37.2 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. 2022 KD	31 Dec. 2021 KD
Financial assets:		
Financial assets at amortised cost:		
Cash and bank balances	3,614,242	8,804,726
Wakala investments	12,550,000	6,050,000
Accounts receivable and other assets (note 21)	13,125,077	9,549,039
Financial assets at fair value:		
Investments at fair value through profit or loss	3,016,799	3,048,993
Investments at fair value through other comprehensive income	25,278,275	29,106,655
	57,584,393	56,559,413
Financial liabilities:		
Financial liabilities at amortised cost:		
Due to banks	800,288	1,147,192
Lease liabilities	2,266,950	3,028,453
Murabaha payable	-	378,667
Accounts payable and other liabilities	17,998,048	15,163,572
	21,065,286	19,717,884

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)*

37. Fair value measurement (continued)
37.2 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 2022					
Investments at fair value through profit or loss					
Quoted equity securities	a	1,005,190	-	-	1,005,190
Managed funds and portfolios	b	815,885	1,195,724	-	2,011,609
Total		1,821,075	1,195,724	-	3,016,799
Investments at fair value through other comprehensive income					
Local quoted securities	a	4,981,587	-	-	4,981,587
Local unquoted securities	c	-	-	10,371,259	10,371,259
Foreign quoted securities	a	1,335,384	-	-	1,335,384
Foreign unquoted securities	c	-	913,000	7,677,045	8,590,045
Total		6,316,971	913,000	18,048,304	25,278,275
Total		8,138,046	2,108,724	18,048,304	28,295,074

	note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2021					
Investments at fair value through profit or loss					
Quoted equity 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	-	1,635,000	7,211,042	8,846,042
Total		6,903,041	1,635,000	20,568,614	29,106,655
Total		8,727,362	2,859,672	20,568,614	32,155,648

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

Measurement at fair value

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

a) Quoted securities

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

Notes to the Consolidated Financial Statements *(continued)*

37. Fair value measurement (continued)
37.2 Fair value measurement of financial instruments (continued)

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. 2022 KD	31 Dec. 2021 KD
Opening balance	20,568,614	16,682,031
Other comprehensive (loss)/income	(1,633,096)	3,990,859
Reduction in share capital / Sale	(887,214)	(104,276)
Closing balance	18,048,304	20,568,614

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.

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

The level 3 investments have been fair valued as follows:

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Adjusted book value	Book value adjusted with market risk	The higher the market risk the lower the fair value
Unquoted shares	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value

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.

Notes to the Consolidated Financial Statements *(continued)*

37. Fair value measurement (continued)

37.3 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 2022 and 31 December 2021:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2022				
Building on freehold land - in Kuwait	-	-	1,600,000	1,600,000
Building on industrial plot* – in Kuwait	-	-	3,600,000	3,600,000
Industrial plot* – in Kuwait	-	-	3,400,000	3,400,000
	-	-	8,600,000	8,600,000
31 December 2021				
Building on freehold land - in Kuwait	-	-	1,650,000	1,650,000
Building on industrial plot* – in Kuwait	-	-	3,300,000	3,300,000
Industrial plot* – in Kuwait	-	-	3,400,000	3,400,000
	-	-	8,350,000	8,350,000

*These industrial plots are right of use lands leased from the government of Kuwait.

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 2022, 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
Building on freehold land	Estimated rental stream approach	Monthly economic rental value	KD2,116 to KD2,207 (2021: KD2,183 to KD2,231)	Fair value increases if economic rental value increases, and vice versa.
Building on industrial plot	Estimated rental stream approach	Monthly economic rental value	KD1,200 to KD1,218 (2021: KD1,100 to KD1,154)	Fair value increases if economic rental value increases, and vice versa.
Industrial plot	Market comparison approach	Price per square meter	KD855 to KD1,057 (2021: KD855 to KD1,006)	Fair value increases if price per square meter increases, and vice versa.

38. CAPITAL MANAGEMENT OBJECTIVES

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

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

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Profit for the year attributable to the owners of the Parent Company	4,383,397	4,513,851
Total equity attributable to the owners of the Parent Company	86,310,981	88,556,886
Return on equity	5.1%	5.1%

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. During the year 2020 and 2021 governments and central banks have reacted with various financial packages and reliefs designed to stabilize economic conditions.

The Group's operating environment has moderately rebound and the Group is gradually recovering from the effects of COVID-19 pandemic. Management of the Group is actively monitoring any future effects COVID-19 may have on its business operations, however high vaccination rates and other measures taken by the government significantly reduces the impact of latest variants of the virus.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including equity, net profit and cash and cash equivalents.

NIC Plastics

Sewage Pipes & Fittings