بسم الله الرحمن الرحيم

H.H. Sheikh Meshal AL-Ahmad Al-Jaber Al-Sabah
Amir Of The State Of Kuwait

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Board Members and the Chief Executive Officer (C.E.O)

Mr. Saad Mohammad Al-Saad	Chairman
Mr. Suliman Hamad Al-Dalali	Vice Chairman
Mr. Abdulaziz Ibrahim Al-Rabiah	Board Member
Mr. Ali Morad Bahbehani	Board Member
Mr. Hosam Fawzi Al-Kharafi	Board Member
Dr. Abdul Aziz Rashed Al-Rashed	Board Member
Mr. Mohammed Abdul Mohsen Al-Asfour	Independent Board Member
Mrs. Maha Khalid Al-Ghunaim	Independent Board Member
The Public Institution for Social Security	Board Member
Mr. Ahmed M. Hassan	(C.E.O)

Chairman Speech

To our esteemed Shareholders,

On behalf of myself and the members of the Board of Directors at National Industries Group Holding Company it is with great pleasure to welcome you to our 64th Annual Ordinary General meeting. I am glad to present to you the annual report for the financial year ending on 31 December 2023, which includes the Board of Directors' report, the annual Corporate Governance report of the group, which lists the efforts made by the board of directors and the executive management in order to achieve a governance system for the group in accordance with leading practices, and in accordance with the law of the Capital Markets Authority of Kuwait to achieve a better environment for the group's shareholders. It also includes the latest developments in the company's activities in addition to an overview of the most prominent global, regional, and local economic developments.

Markets in the region were volatile during 2023, after years of outperforming global equity markets, GCC equity markets underperformed during 2023 by posting a smaller gain during the year as compared to gains for most major global equity markets. The MSCI GCC Index was up by 3.7% during the year. The index declined to a two-and-a-half-year low during October-2023 led by geopolitical tensions related to the war on Gaza and its impact on the region as well as subdued oil prices since the start of the year due to demand growth concerns, especially related to the crisis of China's economic recovery. The MSCI GCC index recovered almost 15% since the end of October-2023. One of the most notable trends during the second half of 2023 was the stark disconnect between crude oil prices and the GCC index as both the asset classes moved in opposite direction.

Locally, the Boursa Kuwait All Share Index wrapped-up 2023 at 6,817.3 points with the second biggest decline in GCC at 6.5% of its value. The Premier Market index witnessed the biggest decline among the Kuwait benchmarks, witnessing a decline of 7.9% after 18 out of the 31 constituents in the large-cap index reported declines during the year. The market capitalization of the Boursa Kuwait at the end of 2023 was about KD 40.26 billion compared to its level at the end of the previous year of KD 46.72 billion. In terms of interest rates, the discount rate in Kuwait was raised from 3.5% to 4.25% until the end of 2023 against a larger hike by the US Federal Reserve.

Globally, financial markets across the globe witnessed steep volatility towards the close of 2023 reflecting speculations around interest rate moves, inflation, economic growth, and geopolitical situation. Shares have gained steeply over the last two months of the year; the growth of financial markets mainly reflects the resilience of economic growth in the face of uncertainties related to geopolitical shocks and the expected end of the record interest rate hike cycle. Benchmark bond yields dropped from a 16-year high of 5% in October-2023 for 10-year US treasury bonds to reach 3.9% at the close of the year. The sharp decline in yields reflected increasing future expectation of rate cuts. In terms of performance of safe haven assets, gold gained 13.1% during the year and hit all-time highs in several countries, reflecting geopolitical issues, while the US dollar declined by 2.1% against a basket of currencies. On the other hand, commodities were the biggest decliners of the year mainly led by more than 10% decline in the price of crude oil.

The Group achieved a net profit of KD 24.9 million for the year ended 31/12/2023 with an earnings per share of 11 fils compared to a net profit of KD 21.4 million and earnings per share of 9.9 fils for the year 2022. The total assets of the Group reached KD 1,501 million for the year 2023 compared to KD 1,385 million for the year 2022, and the total equity attributable to the owners of the parent company amounted to KD 499 million for the year 2023 compared to KD 487 million for the year 2022.

The Board of Directors recommended to the Ordinary General Assembly the distribution of cash dividends of 5% of the paid-up capital (Circa KD 11.5 million), and the Board of Directors recommended the distribution of bonus shares of 5% (5 shares for every 100 shares of paid-up capital).

Finally, we can only pray to God Almighty to provide the best to our shareholders and investors and thank our valued employees for their continuous giving to the company, praying to God Almighty to protect Kuwait and its people under the wise leadership of His Highness the Amir and the wise government.

Chairman

Saad Mohammed Al Saad

Annual Performance for the Subsidiaries and Associates

First: Subsidiaries Company

National Industries Company NIC

The company's profits during 2023 amounted to KD 3.85 million, a decrease of 12% from 2022 profits of KD 4.38 million, while sales increased by 4% to KD 49.9 million compared to 2022 sales of KD 48.1 million. Investment income increased by 78% to reach KD 1.2 million in 2023 compared to KD 0.7 million in 2022, and shareholders' equity in 2023 amounted to KD 85.6 million, book value per share amounted to KD 244 Fils compared to KD 86.3 million and book value per share of 246 fils for the year 2022. During 2023, an additional warehouse was built for the products of the dry mortar and cladding system factory, also, the company purchased and installed of 2 new production lines to produce plastic pipe accessories, the installation of the new machinery balance of 100 tons and the work of all ancillary services to it. The company purchased 10 machines for the paint factory, also completed the transfer of equipment of the light brick factory from Saudi Arabia to Kuwait, and the establishment of a site station for ready-mixed mixing in Shuwaikh Port. It is expected that during 2024 the company to prepare a full study to raise the production capacity of white bricks by taking advantage of the equipment of the Saudi factory such as autoclaves, mill, mixing equipment and production lines gradually, and intends to study the feasibility of the cost of establishing a clinker grinding plant to meet the needs of the company's factories of cement, in addition to developing the coarse tile product and developing new equipment for treating the surface of the product, and also studying the establishment of a factory for chemicals used in the ready-mix mixing plant and tiles. The company plans to produce environmentally friendly cladding tiles.

Noor Financial Investment Company

Noor has recorded Net Profit of KD 37.3 million for the year ended 31 December 2023 resulting in an EPS of FILS 73.26 and a growth rate of 88% compared to last year annual profit. This is the highest profit in a year since 2008. The Company Shareholders' Equity was KD 112.75 million as of 31 December 2023 leading to book value per share of FILS 221 compared to FILS 168 as of 31 December 2022.

The exceptional performance of Noor for the year 2023 was driven by two most significant events. Firstly, after a prolonged and dedicated effort and legal battle, Noor's team successfully resolved several long-standing legal cases, which resulted in significant gains of KD 8.6 million for the company. Secondly, Noor's associate, Meezan Bank Limited, reported record profits of PKR 85.4 billion (USD 303 million) for the year 2023, further contributing to the company's success during this period. Consequently, Noor's share of results of associates for the year is increased to KD 32 million (2022: KD 22.9 million) providing a growth of more than 40%.

Ikarus Petroleum Industries company

In Q1-2023, Ikarus successfully refinanced its USD loan with a foreign bank, securing a better interest rate and an extended repayment schedule. This is expected to positively impact Ikarus' cash flows going forward. MIDCHEM, the Saudi-based subsidiary of Ikarus-MIDCHEM, achieved a net profit of SAR 7 million for the year ended 2023. The MIDCHEM plant expanded its production capacity for certain key chlor-alkali products and launched a new product line (Calcium Chloride), which has already begun production and sales. As part of its strategy to augment revenue. MIDCHEM, is setting up a chemical trading division, this new division expected to be fully operational by Q2-2024, and it will trade a range of carefully selected chemicals both within and outside the Kingdom of Saudi Arabia (KSA). This initiative will enhance the company's market presence and operational efficiency in the chemical sector. Ikarus Electric and Green Valley, subsidiaries based in Egypt, have completed most of their setup activities, both companies are anticipated to be fully functional by the end of Q3-2024.

Al Durra National Real-estate company

During the second quarter of 2023, the renovation of the hotel units of Saray Hotel Apartments in the Benid Al Qar area was started, and the renovation work on the first plot was completed during the last quarter of 2023 and rental to guests, and it is expected that the internal renovations will have an impact on attracting guests and increasing the occupancy rate. During the last quarter of 2023, the demolition work of the old residential building located in the Riggae area was completed, and the design work of a new residential building consisting of 36 housing units in addition to a shop was started, and the construction of the new residential building will proceed during the year 2024. According to the project study, the expected returns on the property will increase successively to increase the housing units available for leasing. There are some works and projects under implementation, where the company's management during the last period studied the available options to achieve the best returns from the exploitation of the industrial plot located in Shuwaikh Industrial Area, and the company decided to build equipped warehouses, and accordingly, work was done during the year 2023 to issue the licenses required to implement the project, and construction work is underway. The company has invested in Al-Madar Al-Thahabiyah Company by owning a stake of 28% of the company's capital, knowing that Al-Madar Al-Thahabiyah Company is the owner of Fraser Riyadh Hotel, and good returns are expected from this investment in the future, as Fraser Riyadh Hotel is one of the successful projects in the Kingdom of Saudi Arabia.

Combined National Industries Holding Co. for Energy

Combined National Industries Holding Co. for Energy is currently studying several investment opportunities in energy, renewable energy, and infrastructure in collaboration with the parent company, its subsidiaries and partners.

The company is also seeking to complete the divesture of its investment in Karachi Electric as soon as possible.

Proclad Group

During 2023, Proclad turned a significant corner by attaining positive results after the downturn faced from the Covid era. The positive financial outcomes marked a departure from past challenges, symbolizing a new era of growth and continuity for Proclad. The supply chain problems encountered during the previous year continued to mirror as a result of ongoing geo-political events throughout the globe, thereby increasing the costs of basic raw materials, Nickle/weld consumables, shipping charges etc. Due to the growing demand and potential for robust orders, Proclad has set up offices in Rio de Janeiro, Brazil (Phase 1). The metals division had a challenging year due the same geo-political events throughout the globe and the resultant increasing costs, although management has strived to take measures towards sustainability and maintain the market.

Second: Associate Companies

Kuwait cement company

The company continued its efforts in 2023 to maintain the volume and value of its sales in the local market in all its sectors of ordinary Portland cement and sulfate-resistant, but it was unable to achieve a satisfactory return from its industrial activity, due to the continued dumping of Iranian cement and clinker to the Kuwaiti market and its low prices, as well as due to the intense competition between companies and the decline in the construction market activity in the movement of government projects, private projects and infrastructure projects.

Shuwaikh Cement Company, a subsidiary of the company and its branch in the Emirate of Fujairah, United Arab Emirates, has sold approximately 200 thousand tons of raw materials in the local Kuwaiti market.

Amwaj International Real Estate Company, a subsidiary of the company, has been able to achieve satisfactory profits from its investment activities.

Privatization Holding Company (PHC)

PHC continued its selective divesture / exit strategy from certain investee companies to enhance liquidity and mitigate certain investee risks. With respect to the investment activity during 2023, due to shortage in capital for new investments, Management has decided to focus on our existing investments and developing and implementing favorable exit strategies for the benefit of the Company. Deal flow was discontinued due to PHC's investments in the Mega Projects (i.e. J3 Project and B&B Project). These projects are top priority for the Management and most of the Investment Department's time and effort were focused on these Investments. PHC's total direct investments on 30th September 2023, were at KD 65.1 million. Direct Investments on 31st December 2022 totaled approx. KD 67.5 million.

National Industries Company Holding (K. S. P.C)

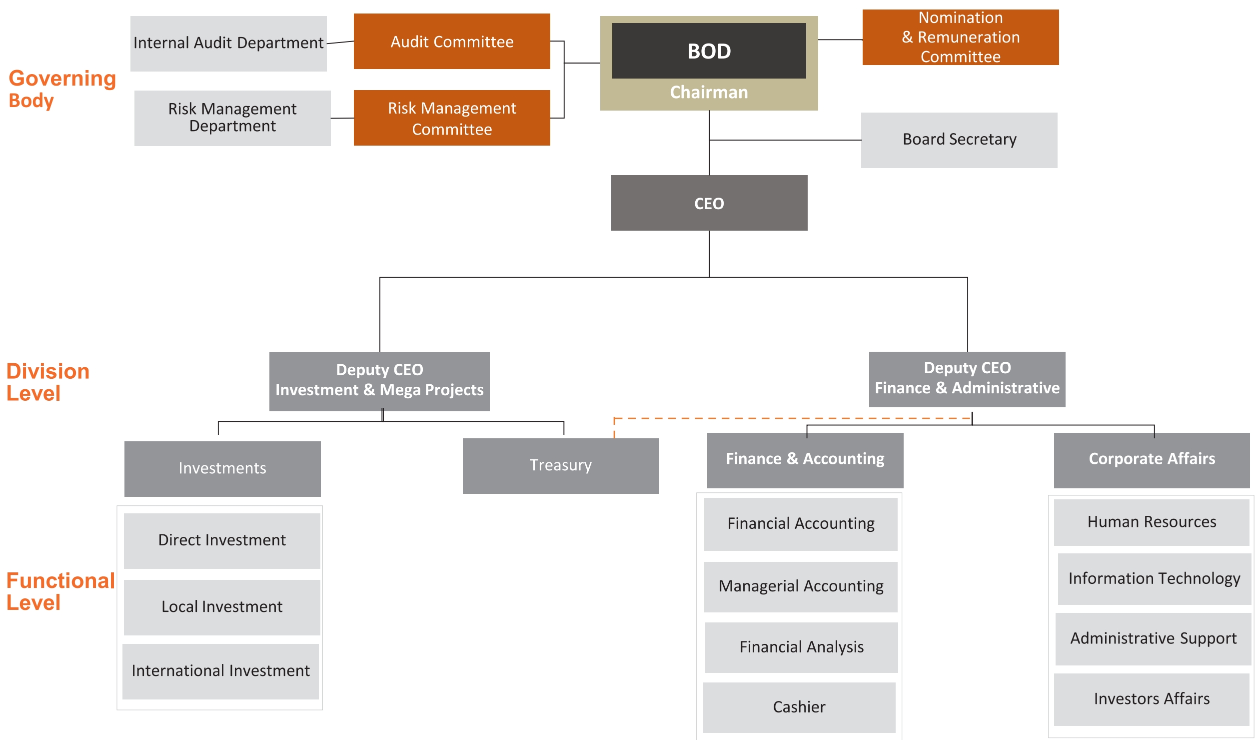
Corporate Governance report 2023

Introduction

National Industries Company Holding NIG is committed to Corporate Governance rules and regulation that is built by the leading practices and the defined laws and regulations. NIG is regularly developing the role of governance, and adherence to the applicable laws and regulations to promote a stronger presence for effective regulatory environment that is aligned with the laws and regulations ratified by the Capital Market Authority CMA to ensure a high level of transparency to protect the rights of shareholders and stakeholders, where the CMA had issued several rules that listed companies must abide.

Rule I: Construct a Balanced Board Composition.

NIG Organization Structure



Board Composition

The Name	Membership (executive/ non-executive/ Independent),Board Secretary	Qualification	first election
Mr. Saad Mohamed Al Saad	Chairman of the Board - non-executive	Bachelor of Commerce	1973
Mr. Sulaiman Hamad Al Dalali	Vice Chairman – non-executive	Bachelor of Commerce	2004
Mr. Ali Murad Behbehani	Non-Executive	Bachelor of Arts in English language	1996
Public Institution For Social Security	Non-Executive		2022
Mrs. Maha Khalid Al-Ghunaim	Independent	Bachelor of mathematics	1995
Mr. Hossam Fawzi Al-Kharafi	Non-Executive	Bachelor of civil engineering	2007
Mr. Abdul-Aziz Ibrahim Al Rabiah	Non-Executive	Bachelor of Commerce	1979
Mr. Mohamed Abdul Mohsen Al Asfour	Independent	Bachelor of business administration	2013
Mr. Dr. Abdul-Aziz Rashed Al Rashed	Non-Executive	PhD in electrical engineering.	2016
Mr. Mohamed Rashed Al Mutairi	Secretary of the Board	Master of business administration	1999

Board meetings during the year 2023

Member name	Meeting No. 1 was held on 13/3/2023	Meeting No. 2 was held on 19/3/2023	Meeting No. 3 was held on 11/5/2023	Meeting No. 4 was held on 10/8/2023	Meeting No. 5 was held on 7/11/2023	Meeting No. 6 was held on 15/11/2023	Number of meetings
Mr. Saad Mohamed Al Saad (Chairman)	√	√	√	√	√	√	6
Mr. Sulaiman Hamad Al Dalali (Vice Chairman)	√	√	√	√	√	√	6
Mr. Mohamed Abdul Mohsen Al Asfour (Independent)	√	√	√	√	√	√	6
Mr. Ali Murad Behbehani (Non-Executive)	√	√	√	√	√	√	6
Representable of Public Institution For Social Security	x	x	x	x	x	x	0
Mrs. Maha Khalid Al-Ghunaim (Independent)	x	x	√	√	√	√	4
Mr. Hossam Fawzi Al-Kharafi (Non-Executive)	x	x	x	x	√	√	2
Mr. Abdul-Aziz Ibrahim Al Rabiah (Non-Executive)	√	√	x	x	√	√	4
Mr. Dr. Abdul-Aziz Rashed Al Rashed (Non-Executive)	√	√	√	x	√	√	5

Managing the Board meetings

The Secretary of the Board was selected from within NIG, by appointing Mr. Mohamed Rashed Al Mutairi as board Secretary. The Board Secretary has the required qualifications that assist him to complete the tasks and responsibilities entrusted to him by the Board of Directors. The board secretary is responsible for the following:

- Recording and preserving all board meeting minutes, records, notebooks and reports submitted to and from the board, provided that meeting minutes are signed by him, and all the members present.
- Ensure that the members of the Board of Directors follow the procedures approved by the Board, and that the dates of the Board meetings are communicated three working days in advance, considering the emergency meetings.
- Preparing information packages that need to be circulated to the members of the Board in its meetings or to the shareholders in the meetings of the General Assembly.
- Documenting and following up on issues that require the Board to take specific actions that are raised in subsequent Board meetings and record them in the relevant procedures form.

Acknowledgment by the independent member that he fulfills the conditions for his independence.

مجموعة الصناعات الوطنية (القابضة) ش.م.ك.
NI Group
National Industries Group (Holding)

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه عضو مجلس إدارة مستقل لدى مجموعة الصناعات الوطنية القابضة (ش.م.ك.ع) بأنه تتوافر لدي الشروط التالية:

- أنني أتمتع بالاستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتهما.
- أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الإسم:	مها خالد صالح الغنيم
رقم البطاقة المدنية:	259032801008
التاريخ:	2022/6/2
التوقيع:	

مجموعة الصناعات الوطنية (القابضة) ش.م.ك.
NI Group
National Industries Group (Holding)

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- أنني أتمتع بالاستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتهما.
- أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الإسم:	محمد عبدالمحسن عبداللطيف العصفور
رقم البطاقة المدنية:	246081800017
التاريخ:	2022/6/2
التوقيع:	

Rule II: Establish Appropriate Roles and Responsibilities

- The Board derives its empowerment and legality from its memorandum and the articles of association that allows the Board of Directors to manage the company, where the Board determines the level of authority and responsibility given to the Executive Management to run the daily operation. Moreover, the Board also has full authority and rights to perform all actions on behalf of the Company and to participate in all activities and exercise all the authorities that deemed necessary for achieving its objectives, those authorities and procedures are explicitly provided in the commercial companies' law issued by the ministry of commerce, and the company's article of association, and the CMA Bylaws and regulations.
- The authorities and responsibilities of the Board of Directors and executive management are clearly identified in the approved policies, procedures, and charters, where it clearly indicates that no party is allowed an absolute power, to facilitate the accountability of the Board of directors by company's shareholders. The Board of directors holds liable for all the ultimate responsibility managing the company even by forming committees or delegating other individuals or entities authorized to perform work on behalf of the board. The board of directors should avoid issuing general warrants or for indefinite duration. The Board approved and adopted a set of authorities and responsibilities include the charters of each of:
- Chairman of the Board
- Members of the Board of Directors
- The CEO and his deputies

The Board achievements in 2023

During the year 2023, the Board took many decisions related to the most important challenge of managing the group's cash liquidity resulting from the increase in issued and paid-up capital that took place during 2022 from 149.9 million Kuwaiti dinars to 202.4 million Kuwaiti dinars through the issuance of 524,733,305 shares worth 100 fils. per share, in addition to 100 fils per share as a share premium, as the group was able to optimally invest those funds and at the same time maintain a high level of liquidity to face potential future economic challenges.

Formation of a specialized committees to promote independence

The Board has formed specialized committees with the aim of enabling it to perform its tasks effectively, according to the company's requirements, conditions and nature of its work, the company's desire to fully implement the requirements of governance, as the executive management has prepared a set of charters in cooperation with specialized expertise consultants in this field to reach the best market practice. The Board of Directors formed the Risk Committee, the Audit Committee, the Nomination & Remuneration Committee, according to the approval of the Capital Markets Authority. The Board of Directors reviewed all the regulations, work systems, and charters for all committees.

Composition of the Audit Committee

The Audit Committee was formed for three years on 6/6/2022.

The Audit Committee	Members	Meeting No. 1 on 9/3/2023	Meeting No.2 on 19/3/2023	Meeting No.3 on 3/5/2023	Meeting No.4 on 9/8/2023	Meeting No.5 on 20/9/2023	Meeting No.6 on 6/11/2023	Meeting No.7 on 29/11/2023	Number of meetings
Mr. Abdul-Aziz Ibrahim Al Rabiah	Chairman	√	√	√	√	√	√	√	7
Mr. Mohamed Abdul Mohsen Al Asfour	Member	√	√	√	√	√	√	√	7
Dr. Abdul-Aziz Rashed Al Rashed	Member	√	√	√	√	√	√	√	7
Representable of Public Institution for Social Security	Member	x	x	x	x	x	x	x	0

The Audit Committee Role

1. Review the periodic financial statements before submission to the Board of Directors, and opinion and recommend to the Board, with a view to ensuring the fairness and transparency of financial reporting.
2. Recommending to the Board the appointment of external auditors and reset or change them and determine their fees and considers when recommending appointments ensure their independence, and review letters of appointment.
3. Follow the work of the external auditors, and to ensure that they provide services to the company, except for the services required by the auditing profession.
4. Reviewing the external auditors notes on the financial statements of the company and follow what was in them.
5. Reviewing the accounting policies, opinion, and recommendation to the Board.
6. Assess the adequacy of internal control systems within the company and to prepare a report containing views and recommendations of the Committee in this regard.
7. Technical supervision on the company's internal audit department/outsourced, to verify its effectiveness in carrying out specific tasks and actions by the Board.
8. Recommending the appointment, transfer, and dismissal of the internal audit manager, and evaluating his performance, and the performance of the internal audit department.
9. Review and approve the audit plans proposed by the internal auditor, and comment.
10. Review the results of the internal audit reports and ensure that corrective actions have been taken on the observations contained in the reports.
11. Review the results of regulatory reports and ensure that the necessary measures have been taken.
12. Make sure the company's commitment to laws and policies, regulations, and instructions.

Achievements of the Audit Committee

- Reviewing financial data and reports before presenting them to the board, discussing them and submitting them to the board of directors.
- Disclosures and significant matters regarding the financial statements.
- Presenting the internal audit reports, adopting the internal audit plan, following up on the internal audit observations.
- Follow up on the company's commitment to laws and legislation related to its work.
- Following up on the work of the external auditors and studying the remarks of the external auditors on the company's financial statements.

Composition of risk Committee:

The risk Committee was formed for three years on 6/6/2022

Risk Committee	Members	Meeting No. 1 held 27/3/2023	Meeting No. 2 held 5/4/2023	Meeting No. 3 held 18/9/2023	Meeting No. 4 held 27/12/2023	Number of meetings
Mrs. Maha Khalid Al-Ghunaim	Chairman	√	√	√	√	4
Mr. Ali Murad Behbehani	Member	√	√	√	√	4
Mr. Hossam Fawzi Al-Kharafi	Member	√	√	√	√	4
Mr. Mohamed Al Asfour	Member	√	√	√	√	4

The Role of the Risk Committee

1. Prepare and review risk management policies and strategies adopted by the Board of Directors, and ensure the implementation of these strategies and policies, and they match the nature and size of the company's activities.
2. Ensure the availability of resources and adequate risk management systems.
3. Evaluate systems and mechanisms to identify and measure and monitor various types of risks that the company may be exposed to identify deficiencies.
4. Assist the Board to identify and assess the level of risk is acceptable in the company, be sure you have not exceeded the company to this level of risk after its adoption by the Board.
5. Review the organizational structure of risk management and make recommendations before its adoption by the Board.
6. Ensure the independence of the risk management staff on activities that result in the company's risk exposure.
7. Ensure that the risk management staff have a full understanding of the risks surrounding the company, work to raise the awareness of employees of the risk culture and unregulated.
8. Discussion on risk management of periodic reports about the nature of the risks faced by the company and submit these reports to the Board of Directors.
9. Review of the issues raised by the Audit Committee.
10. The Risk Management Committee holds periodic meetings, four times during the year, as well as whenever needed. The minutes of its meetings must be recorded by the committee secretary.

Achievements of the risk Committee

- Discussion of the members of the Risk Committee of the updated risk register and the most important risks developed due to the impact of the supply chain and transport due to the Russian-Ukrainian war.
- Discussing the executive management's achievements in interacting with these risks.
- Update risk appetite statement.
- Identify the risks related to the impact of the supply chain and transport due to the Russian-Ukrainian war and its impact on the company's activity.

Composition of Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed for three years on 6/6/2022

Composition of Nomination and Remuneration Committee	Members	Meeting No. 1 held 22/2/2023	Number of meetings
Mr. Sulaiman Hamad Al Dalali	Chairman	√	1
Mr. Mohamed Abdul Mohsem Al Asfour	Member	√	1
Mr. Ali Murad Behbehani	Member	√	1

The Role of the Nomination and Remuneration Committee

1- Recommending acceptance of the nomination and re-nomination for members of the Board of Directors and the executive management.

2- Establishing a clear policy for the remuneration of members of the Board of Directors and the executive management, with the annual review of the required needs of the appropriate skills for membership of the Board of Directors, as well as attracting requests for those wishing to occupy executive positions as needed, studying and reviewing those requests, and determining the different categories of rewards that will be granted to employees, such as The fixed bonus segment, the performance bonus segment, and the end of service bonus segment.

3- Ensure that an independent board member does not have independence.

4- Preparing a governance report on an annual basis that includes the total remuneration granted to members of the Board of Directors, executive management, and managers, whether they are amounts, benefits or advantages, of whatever nature and name, directly or indirectly, through the company or its subsidiaries.

Achievements of Nomination and Remuneration Committee

• The Nominations Committee met to discuss the member’s evaluations, the Board of Directors’ evaluation and the committees’ evaluations, as well as the Executive Management’s evaluation and agreement on the training courses required during the year to develop the Board of Directors.

• Discussing the proposed remuneration for members of the Board of Directors, executive management, and all employees of the company.

• Preparing an annual governance report.

Summary of applying the requirements that allows Board members to obtain information and data accurately and in a timely manner

The Executive Management Department provides information and data that is complete and accurate and timely for all Board members in General and non-Executive Board members and independents in particular through integrated periodic reports submitted to the Board members as well as through periodic reports submitted by risk management by reports from the Audit Office to obtain all the essential information and data that enable them to undertake and carry out their duties and functions efficiently and effectively.

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

Board members

Mr. Saad Mohammad Al Saad - Chairman

Was appointed as Deputy Chairman and Managing Director of the company in 1973, then elected as Chairman in 2004.

Currently Mr. Al Saad is a Board member of the Egypt Kuwait Holding Company since 1999. Mr. Al Saad held several positions and recognitions as follows:

- Chairman and MD of Contracting & Marine Services Co.
- Chairman of the Kuwait Accountants and auditor's association
- Vice Chairman of Kuwait National Petroleum Company
- Board member of The Supreme Board of Directors for Planning and Development
- Board member of Kuwait Building & Const. Co
- Vice Chairman of the Kuwait National Petroleum Company
- Board member of National Bank of Kuwait
- Board member of Gulf Cable and Electrical Industries Co.
- Board member of Kuwait Aviation Fueling Company - KAFCO
- Board member of Kuwait Cement Co.
- Board member of Delta insurance company in Cairo
- Board member of Saudi sand lime bricks & Build M. Co. in Riyadh

Mr. Al Saad hold a BS of Commerce from Cairo University.

Mr. Sulaiman Hamad Al Dalali - Deputy Chairman

Was appointed as a deputy chairman in 2004. Currently Mr. Al Dalali is Vice Chairman of the Board of Directors of Kuwait Reinsurance Company. Mr. Al Dalali held several positions and recognitions as follows:

- Chairman of Ahlia insurance Company
- Board Member of Burgan insurance company - Lebanon
- Board Member of Arab Life and accident Insurance Company - Jordon
- Board Member of trade union Co-Operative Insurance - Saudi Arabia
- Board Member of Al Watania insurance company Sanaa- Yemen
- Assistant Under Secretary-Kuwait University
- Chairman and MD of the Gulf Insurance Company
- Vice Chairman and Chief Executive officer the establishment of transactions of forward sale of companies' shares.

Mr. Al Dalali hold a BS of Commerce from Cairo University.

Mr. Abdul Aziz Ibrahim Al Rabia - Board member

Mr. Al Rabia was elected as a board member since 1979. Currently Mr. Al Rabia is the Chairman of National Industries Company, Previously Mr. Al Rabia's designations was as follows:

- Vise Chairman of National Industries Company.
- General Manager of Mohammed Abdullah Al Rabia & Partners Co.
- Board Member of the Kuwait Cement Company
- Board Member of Kuwait Pipe Industries and Oil Services company
- Assistant Professor at Kuwait University

Mr. Al Rabia was Assistant Professor at Kuwait University and holds a BS in Accounting from Kuwait University.

Mr. Ali Murad Behbehani - Board member

Mr. Behbehani was elected as a board member since 1996. Currently, Mr. Behbehani has the following designations:

- Chairman of Murad Yousuf Behbehani Company
- Chairman of Kuwait insurance company
- Vice Chairman of Gulf Bank
- Board member of the Kuwait Danish dairy company.

Previously, Mr. Behbehani held several positions and designations as follows:

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

Mr. Behbehani hold Bachelor of English Language and Literature and education from Kuwait University

Dr. Abdul Aziz Rashed Al Rashed - Board member

Dr. Al Rashed Was elected as a board member since 2016. Currently, Dr. Al-Rashed is holding the following designations:

- Chairman, Kuwait Drilling Company
- Vice Chairman, Kuwait Cement Company
- Board member of Contracting & Marine Services Co.

Dr. Al Rashed holds a PhD in electrical engineering from University of Wisconsin USA.

Mrs. Maha Khalid Al Ghunaim - Independent Board member

Mrs. Al Ghunaim was elected as a board member since 1996.

Previously, Mrs. Al Ghunaim held several positions and designations as follows:

- Co-Founder / Vice Chairman and CEO of Global Investment House
- Board Member of Board Member of Dar Al Tamleek – Riyadh

- Vice Chairman of National Ranges Company “Mayadeen”
- Vice Chairman of Shurooq Investment Services Company
- Board Member, Kuwait University, College of Business Administration (Kuwait)
- Board Member of Union of Investment Companies (Kuwait)
- Member of Financial & Investment Committee at Kuwait Chamber of Commerce & Industry (Kuwait)

Mrs. Al Ghunaim holds BS in mathematics from San Francisco state University of, California, USA

Mr. Hussam Fawzi Al Kharafi - Board member

Mr. Al Kharafi was elected as a board Member since 2007. Currently, Mr. Al Kharafi holds the following positions:

- Member of Executive Committee and head of real estate and urban development of Mohamed Abdul Mohsen Al Kharafi and sons company
- Chairman of the MAK investments company Co. -Port Ghalib, Egypt
- Board member of Egypt Kuwait holding Company
- Board member, National Investment Company

Mr. Al-Kaharafi held several positions and designations as follows:

- Chairman of Noor financial investment Co.
- Board member of Boubyan Bank
- Board member of Ahlia insurance Co.
- Board member of the National Real Estate Co.
- Board member of Mabanee Co.

Mr. Al Kaharafi holds a master’s degree in public policy from Hamad bin Khalifa University –Qatar and holds a bachelor’s degree of Civil Engineering from Kuwait University.

Mr. Mohamed Abdul Mohsen Al Asfour - Independent Board member

Mr. Al Asfour was elected as a board member since 2013. Currently Mr. Al Asfour is holding the following designations:

- Vice Chairman and CEO of the Kuwait Building Materials Manufacturing Co.
- Vice Chairman of Privatization Holding Company

Mr. Al Asfour Held several positions and designations as follows:

- Minister of State for Housing Affairs.
- General Manager of Kuwait Institute for Scientific Research (KISR)
- Secretary General of the Kuwait University
- Board member of Public Authority for Housing Welfare.
- Vice President of Kuwait Ports Authority
- Vice Chairman of National Cleaning Co.
- Vice Chairman of planning and engineering of Arab Petroleum Pipelines Co. (SUMED) - Egypt

Mr. Al Asfour holds a BS of Business Administration from the Cairo University.

Executive Management

Mr. Ahmed Mohammed Hassan, Chief Executive Officer (CEO)

In 2013, Mr. Hassan got elected by the board to be the Chief Executive Officer. Mr. Hassan joined the Group in 1977, throughout his extensive career at NIG, Mr. Hassan has been responsible for overseeing NIG finance and administrative aspects to ensure consistent growth and profitability. Mr. Hassan is currently the board member at National Industries Company.

Mr. Reyadh S. Ali Al-Edrissi, Deputy Chief Executive Officer – Investments and Mega Projects

In 2014, Mr. Al-Edrissi was promoted to be the Deputy Chief Executive Officer for Investment and Mega projects to oversee all the company investment activities and the mega projects, prior to that Mr. Al-Edrissi was Executive Manager for direct investments. Mr. Al-Edrissi joined NIG in 1999. He graduated from Newcastle Upon Tyne University (UK) with a BSc degree in Chemical Engineering and receiving a MSc degree in Chemical Engineering from Kuwait University. Mr. Al-Edrissi serves a multitude of boards, and is currently the Board member at Privatization Holding Company (Kuwait), Chairman of Meezan Bank (Pakistan), Board member of Sahara International Petrochemical Company “Sipchem” (Saudi Arabia), Chairman and CEO of Ikarus Petroleum Industries (Kuwait), Board member of Noor Financial Investment Company (Kuwait), Chairman of IT Partners Information Technology Co (Kuwait), Chairman of Middle East Complex for Eng., Electronics & Heavy Industries Co.(Jordan), Board Member of Combined National Holding Co. for Energy- (Kuwait), Board Member of Al Durra National Real Estate Co. , (Kuwait), Chairman and CEO at Gas & Oil Fields Services Co. (Kuwait), Chairman of Proclad Group Limited, UAE. Mr. Al Edrissi has a previous leadership experience as a Vice Chairman at Airport International Group (Jordan), Board member at Kuwait Rock Co. (Kuwait), Vice Chairman at Eastern United Petroleum Services Co.(Kuwait), Board member at Kuwait Ceramic Co (Kuwait),Director at Sajaa Gas Private Limited Co. (UAE), Board member at K-Electric (Pakistan), Board member at United Gas Transmissions Company Limited Co. – (UAE), Advisory Board Member of Markaz Energy Fund, Board Member, Investment Committee of Bunyah Fund of the Kuwait Investment Co., and Advisory Board Member, Cleantech I & II Zouk Venture Limited (U.K). Mr. Riyadh Al - Edrissi is reporting directly to CEO.

Mr. Faisal Abdul Aziz Al Nassar, Deputy Chief Executive Officer – Finance and Administration

In 2014, Mr. Al. Nassar was promoted to Deputy CEO for Finance and Administration. Mr. Al. Nassar joined NIG as Executive Manager for Corporate Affairs in 2005. Mr. Al Nassar serves a multitude of boards and is currently the Board Member in Noor Financial Investment Company, Vice Chairman of Meezan Bank – Pakistan, Board Member of Al Durra National Real Estate Company, Chairman of Noor Al Salehia Real Estate, Board Member in Al Ruwad Real Estate Company, Board Member in Arab Information Management Services AIMS. and Mr. Faisal Al Nassar is reporting directly to CEO.

Mr. Mubasher Hussien Sheikh, ACCA, Chief Financial Officer (CFO)

In 2015, Mr. Sheikh got promoted to be the group CFO, Mr. Sheikh joined NIG in 2001 as a Managerial Accounting and Financial Analysis Manager, and in 2008 he got promoted to be the Group Financial Controller. Mr Sheikh currently serves as a board member in Karachi Electrical Limited/Pakistan, Al Durrah National Real Estate, Proclad Group Limited (UAE), and BI Group (UK). Mr. Sheikh is reporting directly to the deputy CEO/Finance & Administration.

Mr. Khalid Ahmad Al Saad, Direct Investment Executive Manager

"In 2015, Mr. Al Saad has been promoted to be the Executive Manager for the Direct Investment Department. Mr. Al Saad joined NIG in 2011 as a Direct Investment Manager. Mr. Al Saad serves as a Chairman & CEO of Combined National Industries Holding Company for Energy, Vice Chairman of Ikarus Petroleum Industries, Chairman of Middle East Chemicals Company "Kingdom of Saudi Arabia" and serves on the board of several companies including Bayan Holding Company, Bahrain Bay Utilities Company "Kingdom of Bahrain" and Proclad Group Limited "UAE". Mr. Al Saad is reporting directly to Deputy CEO\Investments and Mega Projects".

Mr. Fadi Abdelsalam, CPA, CFE, CABM, Group Risk & Compliance Manager

At the beginning of 2019, Mr. Fadi Abdel Salam joined the Group as Group Risk and Compliance Manager. Mr. Fadi Abdel Salam graduated with a bachelor's degree of Banking and Financial Science from Yarmouk University, Jordan in 1998. He qualified as a Certified Public Accountant (CPA) from U.S.A in 2003. He is a Certified Associate Business manager (CABM) from U.S.A in 2006, and Certified Fraud Examiner (CFE) from U.S.A in 2007. He was in-charge of several major audit projects which includes Banks, Investment and Finance Companies, Construction and real-estate Companies, Trading Companies, Industrial companies, Healthcare Organizations and Non-Profit Organizations overall his audit experience for 7 years in two of the biggest worldwide international Audit and Consulting firm, Deloitte Company, and Grant Thornton in Kuwait. He worked in executive managerial levels in Finance and Investment sector for 17 years. Mr. Fadi Abdel Salam reports directly to the Risk Committee of the Board of Directors.

A brief overview of the requirements for forming the Nomination and Remuneration Committee

- Number of its members 3.
- At least one of its members is an independent member (Mr. Muhammad Abdul-Mohsen Al-Asfour).
- Its membership was not occupied by the Chairman of the Board of Directors or the members of the Executive Board of Directors.
- The Chairman of the Committee is a non-executive board member.
- The Board of Directors set the term of membership of the committee for a period of three years from the date of its formation and the method of its work within the committees' work charters.
- The Nomination and Remuneration Committee met once a year.

Board membership, and executive management remuneration

The Group considers the remuneration policy to be an essential element in creating value for the Group as well as for its stakeholders. While the remuneration of each member of the Board of Directors is subject to experience, qualification, expected contribution from the individual and his performance, the guiding principles of governance issued by the Capital Markets Authority are as follows:

- Rewards must be consistent with the group's strategy and objectives, either in the long or short term.
- Rewards must be commensurate with the size and nature of the group and the risks to which it is exposed.
- The total estimated remuneration may not exceed 10% of the net profits (after deducting depreciation, reserves, and distributing profits with no less than 5% of the capital or any higher percentage stipulated in the group's articles of incorporation). It is allowed to distribute annual bonuses that do not exceed the amount of KD 6,000 for the Chairman of the Board of Directors and each member of the Board from the date of the establishment of the group until the achievement of profits that allow the group to distribute rewards in accordance with the criteria mentioned above.
- The general assembly of the group has the right to exempt the independent board member from the maximum mentioned remuneration.
- Linking the rewards (in total or individually) to the group's healthy operations and financial position.

The remuneration structure and policy shall be prepared by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall ensure compliance with the above criteria when recommending remuneration for members of the Board of Directors and senior management.

Executive Management Remuneration Policy

- The Nominations and Remunerations Committee is responsible for setting the remuneration policy for the Group’s executive management, and its objective is to achieve a balance between competitive rewards in the market to retain talent and develop current and future shareholder returns.
- The Nominations and Remunerations Committee works to take advantage of analytical tools, qualitative and quantitative procedures, and comparative studies provided by experts in the process of formulating remuneration offers and incentive programs for the management of the executive group, including annual performance bonuses and short and long-term incentives.
- In addition, the group has a system for monitoring and evaluating the performance of the executive management and employees of the group.
- There is a fair and transparent system for measuring responsibilities and performance that is used to reward the group’s employees for their achievements during the year. The responsibility for managing the performance of employees lies with the executive management (represented in the human resources department) under the supervision of the CEO.
- The Nominations and Remunerations Committee reviews the periodic evaluation of the remuneration paid to the executive management and ensures that there are no fundamental deviations from the remuneration policy approved by the Board of Directors.

During the year 2023, the Nominations and Remuneration Committee recommended an amount of KD 480 thousand as remuneration for the members of the Board of Directors for the year ending on 31/12/2023, which is subject to the approval of the shareholders during the meeting of the General Assembly.

The following table shows the remuneration allocated to the members of the Board of Directors:

Remunerations and benefits for board members							
Rewards and benefits through subsidiaries				Rewards and benefits through the parent company			Total number of members
Variable rewards and benefits (KD ’000)		Fixed rewards and benefits (KD ’000)		Variable rewards and benefits (KD ’000) *		Fixed rewards and benefits (KD ’000)	
Committees Rewards	Annual Rewards	Monthly salaries (total during the year)	Medical Insurance	Committees Rewards	Annual Rewards	Medical Insurance	
-	-	-	-	-	480	-	9

*Subject to approval by the shareholders during the general assembly meeting

The following table shows the remunerations of the executive management, which include salaries, compensations, bonuses, and other incentives:

The rewards and benefits granted to the five senior executives who received the highest rewards, in addition to them The Chief Executive Officer and the Chief Financial Officer or their representative if they are not among them														
Rewards and benefits through subsidiaries							Rewards and benefits through the parent company							Total number of executive positions
Variable rewards and benefits (KD ’000)	Fixed rewards and benefits (KD ’000)						Variable rewards and benefits (KD ’000)	Fixed rewards and benefits (KD ’000)						
Annual Rewards	Tutotion Allawance	Transportation Allawance	House Allawance	Airtickets Allawance	Medical Insurance	Monthly salaries (total during the year)	Annual Rewards	Tutotion Allawance	Transportation Allawance	House Allawance	Airtickets Allawance	Medical Insurance	Monthly salaries (total during the year)	
-	-	-	-	-	-	-	426	27	23	40	41	2	704	7

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

Rule IV: Safeguard the Integrity of Financial Reporting

The safeguard and integrity of the company's financial statements is considered an important indicators on the integrity and credibility of the company in revealing its financial position, therefore increases investor confidence in the data and information provided by the company, and allows the shareholders to exercise their rights, the company is keen on the integrity of the financial statements and that financial statements of the company are being audited under the supervision of the audit committee, and ensure the independence and integrity of the external auditor.

The Executive management issue a covenant in writing to the Board of Directors, depicting that the company's financial statements are displayed properly and fairly, and it reveals all aspects of the company's financial and operating results, and the financial statements are prepared in accordance with international accounting standards. The annual report provided to the company's shareholders a written covenant of the integrity of all financial statements.

الكويت في 2024/03/24

السيد / الرئيس التنفيذي المحترم

تحية طيبة وبعد،،،

الموضوع: تعهد بسلامة ونزاهة التقاريرالمالية المعدة عن الشركة

تتعهد إدارة المحاسبة المالية بأن التقاريرالمالية للمجموعة للسنة المالية المنتهية في 2023/12/31 يتم عرضها بصورة سليمة وعادلة، وإنها تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية، كما إنه يتم اعدادها وفق المعايير المحاسبية الدولية المعتمدة من قبل هيئة أسواق المال .

وتفضلوا بقبول فائق الاحترام،،،

مبشر حسين شيخ

المدير التنفيذي – المدير المالي

الكويت في 2024/03/24

السيد / رئيس مجلس الادارة المحترم

السادة / اعضاء مجلس الادارة المحترمين

تحية طيبة وبعد،،،

الموضوع: تعهد بسلامة ونزاهة التقاريرالمالية المعدة عن الشركة

تتعهد الإدارة التنفيذية متمثلة في الرئيس التنفيذي ونوابه بأن التقارير المالية للمجموعة للسنة المالية المنتهية في 2023/12/31 يتم عرضها بصورة سليمة وعادلة، وإنها تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية، كما إنه يتم اعدادها وفق المعايير المحاسبية الدولية المعتمدة من قبل هيئة أسواق المال .

وتفضلوا بقبول فائق الاحترام،،،

احمد محمد حسن

الرئيس التنفيذي

الكويت في 2024/03/24

السادة / مساهمي مجموعة الصناعات الوطنية القابضة المحترمين

تحية طيبة وبعد،،،

الموضوع: تعهد بسلامة ونزاهة التقاريرالمالية المعدة عن الشركة

يتعهد مجلس ادارة مجموعة الصناعات الوطنية القابضة بأن البيانات المالية للمجموعة للسنة المالية المنتهية في 2023/12/31 يتم عرضها بصورة سليمة وعادلة، وإنها تستعرض كافة الجوانب المالية للشركة من بيانات ونتائج تشغيلية، كما إنه يتم اعدادها وفق المعايير المحاسبية الدولية المعتمدة من قبل هيئة أسواق المال .

وتفضلوا بقبول فائق الاحترام،،،

سعد محمد السعد

رئيس مجلس الادارة

Brief on the implementation of the requirements for the formation of the audit committee

- The number of its members is 4.
- At least one of its members is an independent member (Mr. Muhammad Abdul-Mohsen Al-Asfour).
- Its membership was not occupied by the Chairman of the Board of Directors or the members of the Executive Board of Directors.
- Among the members of the committee there is at least one member with academic qualifications and/or practical experience in the accounting and financial fields.
- The Board of Directors set the term of membership of the committee for a period of three years from the date of its formation and the method of work within the committees' work charters.
- The Audit Committee regularly met 7 times during the year and on a quarterly basis.

- Regular meetings were held with the external auditors, and at least four times with the internal auditor.
- The performance of the external and internal auditors was evaluated.

There was no conflict between the recommendations of the audit committee and the decisions of the board of directors.

Independence and Fairness of the External Auditor.

The AGM shall appoint the external auditor based on the Board of Directors recommendation. The nomination of the external auditor ultimately is based on the recommendation of the audit committee to the BOD. The company has independent external auditor that is registered with the CMA, and he complies with all CMA's regulations and stipulations. It is not allowed for the independent external auditor of the Company to perform any additional work that appear to have conflict or may affect his independence and integrity.

There is an independent office for auditing, where the Al-Bazie Office - RSM provides the internal audit service to the group annually, and the responsible partner appointed by Al-Bazie Company submits the internal audit reports to the Audit Committee, where the committee discusses all the reports submitted to it and considers the following:

1. 1. Reporting to Audit Committee and then to Board of Directors.
2. The internal audit unit be appointed by the Board of Directors and based on the nomination of the audit committee.
3. That the Board of Directors define the duties and responsibilities of the internal audit office.

Rule V: Develop A Proper System of Risk Management and Internal Control

A brief statement on the implementation of the requirements for forming an independent risk management department

The company has a separate department of risk management that work primarily on assessing, monitoring, and mitigating of all types of risks that are facing the company, aligned with an effective regulations and procedures for managing those risks. This is an ongoing process, and is reviewed periodically, and the policies and procedures are modified as required.

An overview of the implementation of the requirements for forming a risk management committee

- The number of its members is 4.
- Its chairman is a non-executive board member, and the chairman is not a member of this committee.
- Presenting periodic reports on the nature of the risks that the company is exposed to and submitting these reports to the company's board of directors.
- The Board of Directors set the term of membership of the committee for a period of three years from the date of its formation and the method of its work within the committees' work charters.
- The Risk Committee met 4 times during the year on a regular basis.

Internal control systems

Internal control is a comprehensive system extending to administrative control, accounting, and internal audit. It is a set of tools and procedures followed within the company to achieve specific goals. The internal audit unit is aiming to assure the integrity of the financial information, safeguarding of assets, and shareholders and stakeholders' interests.

Internal audit and risk management units are working properly and independently according to the relevant regulatory requirements. Audit committee is responsible for assisting the BOD in overseeing the quality and integrity of the accounting information, the independence of the auditing, and having sound internal control and financial reporting practices. Audit committee is responsible for the contracting with an independent firm for conducting the annual Internal Control Review (ICR) which was prepared by Qais Al-Nisf and Partners (BDO). The objective is the independent evaluation of the internal control systems, and its adequacy within the company, and preparing report that contains weaknesses and recommendations directed to the audit committee.

BDO

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خطاب الرأي

السادة أعضاء مجلس الإدارة المحترمين
مجموعة الصناعات الوطنية ش.م.ك.ع
دولة الكويت

15 فبراير 2024

تحية طيبة وبعد،

تقرير حول السجلات المحاسبية والسجلات الأخرى وأنظمة الرقابة الداخلية

وفقا لخطاب تعييننا المؤرخ في01 نوفمبر 2023، قمنا بفحص، ومراجعة أنظمة الرقابة الداخلية لشركة مجموعة الصناعات الوطنية ش.م.ك.ع للسنة المنتهية في 31 ديسمبر 2023:

وقد شمل الفحص كافة الإدارات/الوظائف بالشركة، وهي كما يلي:

- الحوكمة؛
- بيئة الرقابة العامة؛
- الاستثمارات المباشر؛
- الاستثمارات المحلية؛
- الاستثمارات الأجنبي؛
- إدارة الخزانة؛
- المالية؛
- الموارد البشرية؛
- تقنية المعلومات؛
- شؤون المساهمين؛
- إدارة المخاطر والالتزام؛
- التدقيق الداخلي.

لقد قمنا بفحصنا وفقا لمتطلبات اللائحة التنفيذية لهيئة أسواق المال (الكتاب الخامس عشر "حوكمة الشركات" مادة 6-9).

وبصفتكم أعضاء مجلس إدارة الشركة فإنكم مسؤولون عن إرساء نظم للرقابة الداخلية مع الأخذ في الاعتبار المنافع المتوقعة والتكاليف المتعلقة بتأسيس تلك الأنظمة والإلتزام بمتطلبات هيئة أسواق المال المذكورة في الفقرة أعلاه. إن الهدف من التقرير هو اعطاء تأكيدات معقولة وليست قاطعة عن مدى فعالية الاجراءات والأنظمة المتبعة بغرض حماية الموجودات ضد أية خسائر ناتجة عن أي استخدام أو تصرف غير مصرح به، وأن المخاطر الرئيسية يتم مراقبتها وتقييمها بشكل ملائم، وأن المعاملات يتم تنفيذها طبقا لإجراءات التفويض المقررة وانه يتم تسجيلها بشكل صحيح، حتى يسمح ذلك بإعداد البيانات المالية وفقا للمعايير الدولية للتقارير المالية الصادرة عن مجلس معايير المحاسبة الدولية.

ونظرا لنواحي القصور في أي نظام من أنظمة الرقابة الداخلية، قد تحدث أخطاء أو مخالفات ولا يتم اكتشافها. إضافة إلى ذلك فإن توقع التقييم للأنظمة في الفترات المستقبلية يخضع لخطر أن تصبح الإجراءات الرقابة غير ملائمة بسبب التغييرات في الظروف، أو أن تقل درجة الالتزام بتلك الإجراءات.

BDO النصف وشركاه عضو في BDO الدولية المحدودة، شركة محدودة بضمان مسجلة في المملكة المتحدة، وتشكل جزءاً من الشبكة الدولية لشركات BDO المستقلة.

BDO

وبرأينا أن نظام الرقابة المحاسبي الداخلي وأنظمة الراقبة الأخرى لمجموعة الصناعات الوطنية ش.م.ك.ع. المطبقة بتاريخ 31 ديسمبر 2023، مأخوذة ككل كانت كاملة لتلبي الأهداف المشار إليها أعلاه بقدر ما تكون هذه الأهداف تتعلق بقدرة الشركة على الوقاية أو اكتشاف الأخطاء أو التصرفات غير المنتظمة في المبالغ المادية التي لها تأثير مادي على البيانات المالية للشركة.

إضافة إلى ذلك وأخذا في الإعتبار طبيعة وحجم عمليات الشركة خلال السنة المالية المنتهية في 31 ديسمبر 2023، في رأينا:

أ. أنظمة الرقابة الداخلية للشركة قد تم إنشاؤها والاحتفاظ بها طبقا لمتطلبات هيئة أسواق المال وقواعد حوكمة للشركات.

ب. الملاحظات التي تم رفعها في فحص وتقييم الرقابة الداخلية لا تؤثر بشكل مادي على العرض العادل للقوائم المالية للشركة للسنة المنتهية في 31 ديسمبر 2023.

ج. الإجراءات التي تم أخذها من قبل الشركة لمعالجة الملاحظات التي تم ذكرها في التقرير، تعتبر إجراءات تصحيحية تنسجم مع أهداف نظام الرقابة الداخلي للشركة.

د. وفقا لدليل التصنيف الكلي الذي تم الإشارة إليه ضمن تقريرنا حول مراجعة نظم الرقابة الداخلية للشركة فإن التصنيف الكلي لفعالية نظم الراقبة الداخلية للشركة مرضي.

وتفضلوا بقبول فائق الاحترام والتقدير،،،

قيس محمد النصف
مراقب حسابات – ترخيص رقم 38 فئة "أ"
BDO – **النصف وشركاه**

BDO النصف وشركاه عضو في BDO الدولية المحدودة، شركة محدودة بضمان مسجلة في المملكة المتحدة، وتشكل جزءاً من الشبكة الدولية لشركات BDO المستقلة.

A brief statement on the implementation of the requirements for the formation of an independent department / office / unit for internal audit

- The internal audit function has been assigned to RSM - Al-Bazie & Partners, which is a completely independent internal auditor.
- The appointment of the internal audit office was completed by the Board of Directors and based on the nomination of the audit committee.
- The internal audit office prepared a report that includes a review and evaluation of the internal control systems.
- The internal audit office evaluated the performance of the executive management in applying internal control systems.
- An independent auditing office (BDO) has been assigned to carry out an evaluation and review of internal control systems and to prepare a report in this regard (Internal Control Report), which has been provided to CMA annually.

Rule VI: Promote Code of Conduct and Ethical Standards

A summary of the business charter that includes standards and determinants of professional conduct and ethical values

Establishing a culture of professional behavior and ethical values within the company enhances the investor's confidence in the integrity of the company and the safety of its financial information, as the commitment of all company employees, whether members of the board of directors, executive management, or other workers to the company's internal policies and regulations, as well as legal and supervisory requirements, will benefit all shareholders. And the relevant parties, without conflict of interest and with a large degree of transparency. Therefore, the executive management drafted a work charter that includes standards and determinants of professional behavior and ethical values.

The company has a code of conduct for each of the members of the board of directors and another for executives and managers that includes standards and determinants of professional behavior and ethical values, which deal with establishing the principle of commitment of each member of the board, executives, managers and employees to fully adhere to all laws and instructions, and to represent all shareholders, and to adhere to what is in the interest of The company, the interest of shareholders, and the interest of other stakeholders, not just the interest of a specific group.

Summary of policies and mechanisms for limiting conflict of interest

The company has developed a conflict-of-interest policy in line with the CMA regulations and the provisions of Kuwait Commercial Companies Law. This policy includes requirements and parameters that should be followed by the Board member, it determines that the board member should not be bound to enter contracts or businesses arrangement with the company. The board member should inform the BOD if he has a personal interest whether directly or indirectly, in the agreements or contracts that is being made with the company and should be disclosed in the disclosure log. The board member with personal interest should not vote on any resolutions regarding that matter, the chairman should inform the AGM of such conflict of interest.

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

Mechanisms for timely disclosure and transparency.

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

The company's disclosure is approved by the BOD and should disclose the financial data and information regarding the financial position, performance, ownership for all stakeholders through the proper panels, that assist the shareholders to understand their position fully, those proper panels are reviewed and updated regularly to be in line with the best practices, and CMA code of Corporate Governance.

A summary of the application of the requirements of the disclosure record of the members of the Board of Directors and the executive management

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

A brief statement on the implementation of the requirements for forming a unit that organizes investor affairs

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

Developing the IT infrastructure, and relying on it heavily in disclosure processes

The company has a dedicated section on the website for Corporate Governance , where all information is displayed and the latest data that may assist shareholders, potential investors, and other stakeholders in exercising their rights and assess the performance of the company, there is also a special section for financial analysis show the performance indicators for the holding company and the listed subsidiaries www.nig.com.kw

Rule VIII: Respect the Rights of Shareholders

A summary of the application of requirements to define and protect the general rights of shareholders, in order to ensure fairness and equality among all shareholders

- The Board of Directors and the Executive Management guarantee the rights of shareholders by exercising their basic rights with a great deal of fairness and equality to ensure equal treatment of all shareholders, and protection from violations of their rights. As well as protecting shareholders' capital from misuse that may occur by company managers, board members or major shareholders.
- The company treats all shareholders who own the same type of shares equally and without any discrimination, and in no case shall any of the shareholders 'rights be withheld from any class of shareholders, or standards are put in place that would distinguish between categories of shareholders in order to establish these rights without It harms the interests of the company or conflicts with the law, the executive regulations, and the regulatory instructions and controls issued by them.
- The company's article of association, policies, and procedures are ensuring that all shareholders can use their rights equally without any discrimination, to protect their rights that should include the following:
  - Shareholder ownerships are registered in the company's records.
  - Disposition or transfer of shares ownership.
  - Receiving dividends.
  - In case of liquidation, shareholder is entitled to get a share of the company's assets.
  - Access to financial data and information about the company and its operational strategy and investment activity on a timely basis.
  - Participation in AGM and exercising his voting rights.
  - Electing board members.
  - Monitor the company's performance of and the activities of the board.
  - Questioning the members of the company's board of directors or the executive management and filing a liability claim in case they fail to perform the tasks entrusted to them.

A summary of the creation of a special register to be kept with a clearing agency, as part of the requirements for continuous monitoring of shareholder data

- The company has a contract with the Kuwait clearing company (KCC), where KCC creates a registry contains the investor name, nationality, residence, and the number of shares owned by each of them, any investor may request the KCC to provide the data from this register.
- The company has an investor's affairs unit where this unit is maintaining a shareholders register that is updated by any changes for the ownership percentages, or adding new shareholders, or deletion of shareholders. Any shareholder may request this unit to provide the data from this register.
- The managers of subscription for shares or bonds shall maintain a special register in which the names of bond or sukuk holders, their nationalities and domiciles, the number and type of bonds or sukuk owned by each of them are recorded, and any changes that occur to the financial data registered therein according to what the company receives.
- The shareholders have the right in the company to view the shareholders' register, and that the data contained in the register are dealt with according to the highest degree of protection and confidentiality, in a manner that does not contradict the law and the executive regulations, and the instructions and regulatory controls issued by the Authority.

A summary of how to encourage shareholders to participate and vote in the meetings of the company's assemblies

The BOD invites the shareholders to the meet electronically within the three months that follow the end of the financial year, the time and the place is to be determined according to the company's bylaws. The BOD may invite this AGM to meet whenever necessary. The Board should also invite the AGM at a reasoned request of several shareholders owning at least 10% of the Company's paid-up capital, or at the request of the Auditor, within fifteen days from the date of the request.

The agenda of the AGM should include as a minimum the following:

- Reading the Corporate Governance report and the audit committee report.
- Discussion of the board report related to company's activity and financial position and outcomes of works thereof.
- Discussing the report of the external auditor on the results of the company's financial statements, approving the same, and the approval of the dividable net profit.
- Presenting the details with the related parties.
- Presenting any breaches monitored by the regulatory bodies, and any penalties issued due to such breaches and led to (financial/non-financial) penalties against the company.
- The approval of the general assembly for the purchase and sale transactions or dispose of in any way the company's assets if the transactions or actions are 50% or more of the total amount of the company' assets.

Rule IX: Recognize the Roles of Stakeholders

An overview of the systems and policies that guarantee protection and recognition of the rights of stakeholders

The company's board of directors and the executive management are obligated to protect the rights of stakeholders as part of the governance framework. The policy of protecting stakeholders has been developed with the purpose of ensuring respect for the rights of stakeholders. The company's board of directors is responsible for setting standards for protecting the rights of all stakeholders and updating them whenever appropriate, in addition, the company has systems or policies that guarantee protection and recognition of the rights of stakeholders, it includes dealing with members of the board of directors and related parties with the same conditions that the company applies with different stakeholders, without any discrimination or preferential conditions. Detailed policies explaining the procedures that will be followed in case any of the parties breach their obligations and confirming that the contracts concluded between the stakeholders and the company include and explain in detail those procedures.

An overview of how to encourage stakeholders to participate in monitoring the company's various activities.

The company provides stakeholders with access to information and data related to their activities, so that they can be relied upon in a timely and regular basis. The company also puts in place mechanisms to facilitate for stakeholders to report to the company's board of directors of any improper practices they are exposed to by the company, while providing appropriate protection to the parties that report. The Risk Department shall investigate it upon receipt, while ensuring that the whistleblower is protected from these practices whisleblower@nig.com.kw.

RULE X: ENCOURAGE AND ENHANCE PERFORMANCE

A summary of the implementation of the requirements for establishing mechanisms that allow the members of the Board of Directors and the executive management to receive continuous training programs and courses.

The company attaches importance to continuous training, development and attention to the training aspects of both members of the board of directors and executive management, by setting induction programs for newly appointed members in order to ensure that they have an appropriate understanding of the company's workflow and operations, and these programs are represented in the company's strategy and objectives, the financial and operational aspects of all The company's activities, the legal and supervisory obligations of the members of the Board of Directors and the company.

The company also believes that the continuous training and qualification of the members of both the Board of Directors and the executive management provides the members of the Board of Directors and the executive management with the appropriate understanding and knowledge of all topics related to the company's activities, and makes them aware of the latest developments in the related administrative, financial and economic fields, in addition to the ability to strategic planning according to The needs of the company and then achieve the goals of the company.

Training courses were provided during the year for members of the Board of Directors and the Executive Management by specialized external bodies to raise the technical level and familiarity with all developments related to the laws of good governance.

An overview of how to evaluate the performance of the board of directors as a whole, and the performance of each member of the board of directors and the executive management

The Remuneration and Nomination Committee evaluates the performance of each member of the Board of Directors and the executive management periodically, by developing a set of performance measurement indicators related to the extent to which the strategic objectives of the company are achieved and the positive performance of the company. The committee evaluated each member of the board of directors during the year, and the board of directors as a whole was evaluated as well as all the committees emanating from it, and the periodic evaluation of the board reflects the commitment to practical evaluation of the efficiency and effectiveness of the board and improving the performance of the board and its supervisory role, and assuming its responsibilities, under the supervision of the chairman Management and through the Nomination and Remuneration Committee, work to identify strengths and weaknesses and review members 'training and development needs based on the evaluation results.

The committee also evaluated the performance of the executive management according to the established performance indicators (KPIs) for each party.

An overview of the efforts of the Board of Directors to create institutional value creation among the company's employees, through achieving strategic goals and improving performance outcomes.

The Board works constantly to create the corporate values through achieving strategic goals and enhancing performance by accomplishing the following responsibilities:

- Approve the strategic direction of the company and its vision and mission.
- Review and approve the company's business plans, policies, and charters.
- Determining the optimal capital structure for the company and its financial objectives.
- Adopting a clear policy for distributing profits of all kinds, in cash or in kind, in a manner that serves the interests of the shareholders.
- Approving performance targets and monitoring implementation and overall performance in the company.
- Approving the organizational and functional structures of the company and the procedures for periodic review.
- Ensuring the company's compliance with the policies and procedures that ensure that the company respects the applicable internal rules and regulations.
- Approving and developing internal regulations and systems related to the company's work and ensuring that they are transparent and clear.

Rule XI: Focus on the Importance of Corporate Social Responsibility

A summary of the development of a policy to ensure a balance between the goals of the company and the goals of the society

The company is keen to develop its societal development and strategy with the social, economic, and environmental needs and utility results to the community and the company, the Board confirms its attachment to the importance of social responsibility to reduce the harmful effects to society and the environment and the development of good effects.

An overview of the programs and mechanisms used that help highlight the company's efforts in the field of social work.

Within the framework of the company's social responsibility in serving the country, the National Industries Group Holding has done the following for the sake of community development:

1. Supporting many social activities and humanitarian initiatives related to special needs and autism.
2. Continuing to support "Al-Mabarrah" to carry out national charitable activities called "Al-Mabarrah National Industries Group", and the Board of Directors of the company has given it great confidence and provided great moral and material support to it, allocating an independent headquarters for it, which provided the element of stability in the work of Al-Mabarrah and supported its productivity and contributed to holding its meetings regularly. Therefore, despite its recent inception - since 2007 - the National Industries Group has been able to support many diverse national charitable projects that consolidate belonging to the homeland and help needy citizens and expatriates, whether at the educational, health, social, economic, or other levels. Among the activities supported by Al-Mabarrah during 2023:
   - Project of Postgraduate Scholarship Students for Islamic Economics;
   - Project of Mabarrat National Industries School - Hadramout – Yemen;
   - Project of Mabarrat National Industries to support the education of orphan students inside Kuwait;
   - Project of Sponsorship for 30 university students inside Kuwait;
   - Project of the Hope Makers - Evening School for Syrian students inside Kuwait;
   - Project of "Sustainability" to develop workers in charity institutions;
   - "Indian Abacus" Learning Program for Primary Students;
   - The workmanship for a decent life for the needy youth;
   - Project of Online Dawah in German and Italian languages for New Muslims and Non-Arabic Speaking Muslims;
   - Sponsorship the Conference on "Sustaining Education for Refugees in Affected Countries";
   - Project of the Solar Energy Supply for Orphanages and Homes of Poor Families in Lebanon;
   - Mabarrat National Industries Eye Clinic - Northeast Syria;
   - Sponsorship the conference "Orphan Care towards Building a Decent Life for Our Orphans";
   - Project of the Bakery for Syrian refugees;
   - Gaza and Palestine Students Education Initiative Outside Kuwait in Cooperation with the Kuwait Society for Student Support.

Consolidated financial statements and independent auditor’s report

National Industries Group Holding

KPSC and Subsidiaries

Kuwait

31 December 2023

Contents

Independent auditor's report

To the shareholders of

National Industries Group Holding – KPSC

Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Group Holding – Kuwaiti Public Shareholding Company (the ''Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 (including International Independence Standards) (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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Valuation of financial assets measured at fair value

The Group's financial assets measured at fair value at the reporting date represent 37% of total assets. These assets are either classified as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income. The valuation of these financial assets is performed using a fair value hierarchy:

- Level 1 are valuations based on quoted prices (unadjusted) in active markets;
- Level 2 are valuations based on other than quoted prices included within level 1, that are observable either directly or indirectly; and,
- Level 3 are valuations based on unobservable inputs for the asset.

Independent Auditor’s Report to the Shareholders of National Industries Group Holding – KPSC (continued)

Valuation of financial assets measured at fair value (continued)

The valuation of these financial assets is inherently subjective - most predominantly for the level 2 and level 3 financial assets since these are valued using inputs other than quoted prices in an active market. These valuations were derived from the application of different valuation methods including relative valuation method, adjusted net asset value and discounted cash flows. The key inputs used in the valuation of individual level 2 and level 3 financial assets are market multiples, illiquidity discount, expected cash flows, risk free rates and credit spreads. Given the inherent subjectivity in the valuation of level 2 and level 3 financial assets, we determined this to be a key audit matter.

Our audit procedures comprised, amongst others of an assessment of the methodology and the appropriateness of the valuation models and inputs used to value these financial assets, including agreeing the carrying value of the investments to the internal and external valuations. Further, we challenged the valuation of these financial assets, and assessed whether the valuations performed by the Group were within a pre-defined tolerable differences threshold. As part of these audit procedures we assessed the accuracy of key inputs used in the valuation such as the expected cash flows and risk-free rates by benchmarking them with external data. Finally, we assessed the completeness and accuracy of the disclosures relating to these financial assets to assess compliance with disclosure requirements included in IFRS. Refer Notes 5, 6, 16, 17 and 32 to the consolidated financial statements for more information on fair valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Impairment of investment in associates

The Group’s investment in associates at the reporting date represents 25% of the total assets and are accounted for under the equity method of accounting and are considered for impairment in case of indication of impairment. Under the equity method of accounting for associates, these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the share of the net assets of the associates less any impairment. Market value of some investment in associates has been below their respective carrying amounts for a sustained period, and therefore their current carrying amount continues to rely on the Group’s significant judgement in determining their recoverable amount based on their value-in-use. The projected future cash flows and discount rates used by the Group in determining value-in-use are subject to estimation uncertainty and sensitivity. Therefore, we consider this a key audit matter.

Our audit procedures included, among others, evaluating management’s consideration of the impairment indicators, the assessment of the Group’s methodology and calculation of value-in-use. For associates where there were impairment indicators, we evaluated the reasonableness of cash flow projections against most recent financial performance and considered the appropriateness of key inputs such as long-term growth rates used to extrapolate these cash flows and the discount rate. Additionally, we considered whether the Group’s disclosures of the application of judgement in estimating the recoverable amount and the sensitivity of the results of those estimates adequately reflect the risks associated with impairment of investment in associates. Refer Notes 5, 6 and 19 to the consolidated financial statements for more information on investment in associates.

Other information included in the Group’s 2023 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2023 other than the consolidated financial statements and our auditor’s report thereon. We obtained the report of the Parent Company’s Board of Directors, prior to the date of our auditor’s report and we expect to obtain the remaining sections of the Group’s Annual Report for the year ended 31 December 2023 after the date of our auditor’s report.

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

Other information included in the Group's 2023 annual report (continued)

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

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

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

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

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

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

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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

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 2023 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority ("CMA") and its related regulations during the year ended 31 December 2023 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

24 March 2024

Consolidated statement of profit or loss

	Note	**Year ended 31 Dec. 2023**	Year ended 31 Dec. 2022
		KD '000	KD '000
Revenue from sales and contracts with customers	30	**150,067**	128,189
Cost of sales and contracts with customers		**(116,112)**	(101,521)
Gross profit		**33,955**	26,668
(Loss)/gain from financial assets at fair value through profit or loss	11	**(6,415)**	9,591
Dividend income	11	**30,202**	19,381
Interest income	11	**8,969**	4,216
Share of results of associates	19	**66,961**	38,070
Change in fair value of investment properties		**807**	(2,471)
Rental income		**3,213**	3,172
Gain on bargain purchase of an associate		**-**	2,800
Reversal of impairment of wakala investments	38	**8,584**	-
Other income		**4,841**	3,646
Loss on foreign currency exchange		**(415)**	(79)
		150,702	104,994
General, administrative and other expenses		**(34,535)**	(28,300)
Distribution costs		**(8,649)**	(8,559)
Finance costs	8	**(40,774)**	(25,178)
Net Impairment losses and provision	9	**(18,565)**	(7,417)
Profit before taxation and Directors' remuneration		**48,179**	35,540
Taxation charged on overseas subsidiaries		**(920)**	(1,139)
Directors' remuneration	29	**(480)**	(480)
Profit for the year	10	**46,779**	33,921
Profit for the year attributable to:			
Owners of the Parent Company		**24,876**	21,426
Non-controlling interests		**21,903**	12,495
		46,779	33,921
Basic and diluted earnings per share attributable to the owners of the Parent Company	12	**11.0 Fils**	9.9 Fils

The notes set out on pages 49 to 104 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
Profit for the year	**46,779**	33,921
Other comprehensive (loss)/Income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(10,994)**	(13,501)
Net change in fair value of financial assets at FVTOCI	**55**	-
Share of other comprehensive income/(loss) of associates	**4,098**	(2,763)
	(6,841)	(16,264)
Items that will not to be reclassified subsequently to profit or loss:		
Defined benefit plan actuarial losses – net	**(989)**	(450)
Net change in fair value of financial assets at FVTOCI	**4,716**	(18,883)
Share of other comprehensive loss of associates	**(1,232)**	(1,276)
	2,495	(20,609)
Total other comprehensive loss for the year	**(4,346)**	(36,873)
Total comprehensive income/(loss) for the year	**42,433**	(2,952)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Parent Company	**23,033**	(3,211)
Non-controlling interests	**19,400**	259
	42,433	(2,952)

The notes set out on pages 49 to 104 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2023	31 Dec. 2022
		KD '000	KD '000
Assets			
Cash and cash equivalents	13	**201,296**	195,368
Assets classified as held for sale		**7**	2,677
Accounts receivable and other assets	14	**118,732**	68,995
Inventories	15	**47,180**	41,106
Financial assets at amortised cost		**5,197**	1,381
Financial assets at fair value through profit or loss	16	**385,839**	393,705
Financial assets at fair value through other comprehensive income	17	**164,974**	164,446
Right of use of assets		**7,187**	5,682
Investment properties	18	**57,763**	56,907
Investment in associates	19	**376,071**	354,380
Property, plant and equipment	20	**116,060**	90,340
Intangible assets		**10,870**	19
Goodwill		**10,098**	9,751
Total assets		**1,501,274**	1,384,757
Liabilities and equity			
Liabilities			
Due to banks	13	**13,603**	12,604
Accounts payable and other liabilities	21	**96,256**	82,679
Lease liabilities		**6,637**	5,880
Borrowings	22	**634,763**	570,952
Bonds	23	**68,100**	68,100
Provisions	24	**16,630**	14,374
Total liabilities		**835,989**	754,589
Equity attributable to the owners of the Parent Company			
Share capital	25	**229,518**	218,589
Share premium	25	**175,435**	175,435
Treasury shares	26	**(23,975)**	(23,975)
Statutory and general reserves	27	**52,679**	47,607
Other components of equity	28	**(4,845)**	(5,964)
Retained earnings		**70,090**	75,277
Equity attributable to the owners of the Parent Company		**498,902**	486,969
Non-controlling interests	7.3	**166,383**	143,199
Total equity		**665,285**	630,168
Total liabilities and equity		**1,501,274**	1,384,757

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 49 to 104 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Statutory and general reserves	Other components of equity	Retained earnings	Sub-total		
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Balance at 1 January 2023	**218,589**	**175,435**	**(23,975)**	**47,607**	**(5,964)**	**75,277**	**486,969**	**143,199**	**630,168**
Changes in non-controlling interests	-	-	-	-	-	-	-	(1,951)	(1,951)
Increase in non-controlling interests on acquisition of subsidiaries	-	-	-	-	-	-	-	10,649	10,649
Issue of bonus shares (note 29)	10,929	-	-	-	-	(10,929)	-	-	-
Cash dividend (note 29)	-	-	-	-	-	(10,754)	(10,754)	-	(10,754)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(4,435)	(4,435)
Consolidation and other adjustments	-	-	-	-	-	(346)	(346)	(479)	(825)
Total transactions with owners	**10,929**	-	-	-	-	**(22,029)**	**(11,100)**	**3,784**	**(7,316)**
Profit for the year	-	-	-	-	-	24,876	24,876	21,903	46,779
Other comprehensive loss for the year	-	-	-	-	(854)	(989)	(1,843)	(2,503)	(4,346)
Total comprehensive (loss)/income for the year	-	-	-	-	**(854)**	**23,887**	**23,033**	**19,400**	**42,433**
Loss on sale of financial assets at FVTOCI	-	-	-	-	**1,973**	**(1,973)**	-	-	-
Transferred to reserves	-	-	-	**5,072**	-	**(5,072)**	-	-	-
Balance at 31 December 2023	**229,518**	**175,435**	**(23,975)**	**52,679**	**(4,845)**	**70,090**	**498,902**	**166,383**	**665,285**

The notes set out on pages 49 to 104 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share capital	Share premium	Treasury shares	Statutory and general reserves	Other components of equity (note 30)	Retained earnings	Sub-total	Non-controlling interests	Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Balance at 1 January 2022	**149,924**	**122,962**	**(23,406)**	**43,225**	**21,139**	**94,618**	**408,462**	**148,742**	**557,204**
Capital increase	52,473	52,473	-	-	-	-	104,946	-	104,946
Participation in capital increase by subsidiaries	-	-	(569)	-	-	-	(569)	-	(569)
Increase in non-controlling interests on acquisition of subsidiaries	-	-	-	-	-	-	-	1,004	1,004
Capital reduction of a subsidiary	-	-	-	-	-	-	-	(2,882)	(2,882)
Issue of bonus shares (note 29)	16,192	-	-	-	-	(16,192)	-	-	-
Cash dividend (note 29)	-	-	-	-	-	(23,898)	(23,898)	-	(23,898)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(4,065)	(4,065)
Consolidation and other adjustments	-	-	-	-	-	1,239	1,239	141	1,380
Total transactions with owners	**68,665**	**52,473**	**(569)**	**-**	**-**	**(38,851)**	**81,718**	**(5,802)**	**75,916**
Profit for the year	-	-	-	-	-	21,426	21,426	12,495	33,921
Other comprehensive loss for the year	-	-	-	-	(24,187)	(450)	(24,637)	(12,236)	(36,873)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**(24,187)**	**20,976**	**(3,211)**	**259**	**(2,952)**
Loss on sale of financial assets at FVTOCI	**-**	**-**	**-**	**-**	**428**	**(428)**	**-**	**-**	**-**
Share of associates' gain on sale of financial assets at FVTOCI	**-**	**-**	**-**	**-**	**(3,344)**	**3,344**	**-**	**-**	**-**
Transferred to reserves	**-**	**-**	**-**	**4,382**	**-**	**(4,382)**	**-**	**-**	**-**
Balance at 31 December 2022	**218,589**	**175,435**	**(23,975)**	**47,607**	**(5,964)**	**75,277**	**486,969**	**143,199**	**630,168**

The notes set out on pages 49 to 104 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration		**48,179**	35,540
Adjustments:			
Dividend income		**(30,202)**	(19,381)
Share of results of associates		**(66,961)**	(38,070)
Interest income		**(8,969)**	(4,216)
Net provisions charged during the year		**2,256**	1,079
Depreciation and amortisation		**13,123**	8,965
Net Impairment losses and provision		**18,565**	7,417
Change in fair value of investment properties		**(807)**	2,471
Gain on bargain purchase of an associate		**-**	(2,800)
Reversal of impairment of wakala investments	38	**(8,584)**	-
Finance costs		**40,774**	25,178
		7,374	16,183
Changes in operating assets and liabilities:			
Inventories		**(5,314)**	(3,952)
Accounts receivable and other assets		**(12,492)**	(13,156)
Financial assets at fair value through profit or loss		**7,899**	2,796
Accounts payable and other liabilities		**4,177**	9,405
Cash from operations		**1,644**	11,276
Taxation paid		**(882)**	(900)
Net cash from operating activities		**762**	10,376
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,596)**	(8,930)
Proceeds from disposal of property, plant and equipment		**117**	477
Acquisition of financial assets at amortised cost		**(3,816)**	(1,381)
Purchase of investment properties		**-**	(2,323)
Purchase of investment in associates		**(4,063)**	(5,128)
Additions to right of use assets		**(3,617)**	-
Dividend received from associates		**17,458**	5,496
Proceeds from reduction in investment in associates		**4,290**	752
Proceeds from sale of investment properties		**-**	4,500
Purchase of financial assets at FVTOCI		**(11,542)**	(252)
Proceeds from sale of financial assets at FVTOCI		**15,785**	11,231
Dividend income received		**30,202**	19,381
Net cash outflow on acquisition of subsidiaries	7.2	**(7,507)**	(1,334)
Increase in restricted bank balances		**-**	5,500
Decrease/(increase) of short-term deposits maturing after 3 months		90,238	(104,172)
Interest income received		9,436	3,080
Net cash from/(used in) investing activities		131,385	(73,103)

The notes set out on pages 49 to 104 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2023 KD '000	Year ended 31 Dec. 2022 KD '000
FINANCING ACTIVITIES			
Net increase/(decrease) in borrowings		**21,576**	(15,852)
Net increase in bonds		**-**	38,100
Repayment of lease liabilities		**(3,407)**	(2,112)
Issue of share capital		**-**	104,377
Dividend paid to non-controlling interests		**(4,435)**	(4,065)
Finance costs paid		**(39,375)**	(26,610)
Dividend paid to the owners of the Parent Company		**(10,754)**	(23,658)
Paid to non-controlling interests on capital reduction of a subsidiary		**(19)**	(2,882)
Net cash (used in)/from financing activities		**(36,414)**	67,298
Net increase in cash and cash equivalents		**95,733**	4,571
Foreign currency translation differences		**(566)**	1,788
		95,167	6,359
Cash and cash equivalents at beginning of the year		**73,894**	67,535
Cash and cash equivalents at end of the year	13	**169,061**	73,894

The notes set out on pages 49 to 104 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Group Holding – KPSC ("the Parent Company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and, in April 2003, its legal status was changed to a "Holding Company". The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

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

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 24 March 2024. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

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

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") and all amounts are rounded to the nearest thousand (KD '000), except when otherwise indicated.

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

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB").

Notes to the consolidated financial statements (continued)

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*
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 12 Amendments- International Tax Reform-Pillar Two Model Rules	1 January 2023

IAS 1 Amendments and IFRS Practice Statement 2 – Disclosure of accounting policies

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

The adoption of the amendments did not 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.

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

IAS 12 Amendments – Income taxes- Deferred tax related to assets and liabilities arising from a single transaction

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

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

IAS 12 Amendments – International Tax Reform-Pillar Two Model Rules

The amendments introduce the following:

- an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes;
- an entity applies the exception disclose that it has applied the exception immediately upon issuance of the amendments;
- a disclosure requirement that an entity has to disclose separately its current tax expense (income) related to pillar two income taxes;
- a disclosure requirement that state that in periods in which pillar two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to pillar two income taxes arising from that legislation;

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of liabilities as current or non-current	1 January 2024
IAS 7 and IFRS 7 Supplier finance arrangement disclosures	1 January 2024
IAS 21 Amendments – Lack of exchangeability	1 January 2025
IFRS 16 Amendments- Lease liability in a sale and leaseback	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 - 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 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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Amendments - Classification of liabilities as current or non-current

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

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

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements

The amendments to IAS 7 and IFRS 7 added disclosure objectives to IAS 7 to enable the users of the financial statements to assess how the supplier finance arrangements effect an entity's liabilities and cash flows, and to understand the effect of these arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. While the amendments do not explicitly define supplier finance arrangements it instead describes characteristics of such arrangements.

To meet the disclosure objectives, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024.

Management will make required disclosures in the consolidated financial statements when the amendments become effective.

IAS 21 Amendments – Lack of exchangeability

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 21 Amendments – Lack of exchangeability (continued)

- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

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 – Lease liability in a sale and leaseback

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 Material accounting policies

The material accounting policies adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

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

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.1 Basis of consolidation (continued)

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

5.2 Business combinations

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

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

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

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

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

5.3 Goodwill and other intangible assets

5.3.1 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

5.3.2 Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.3 Goodwill and other intangible assets (continued)

5.3.2 Other intangible assets (continued)

Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life and amortisation method are reviewed periodically to ensure that the method and period of amortisation are consistent with the expected pattern of economic benefits from items of finite intangible assets. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

5.4 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate and joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the equity of the associate and joint venture. Changes in the Group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The financial statements of the associate are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.4 Investment in associates (continued)

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.

However, when the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

5.5 Segment reporting

The Group has four operating segments: investments and financial services, real estate and construction, specialist engineering and chemical, and IT services. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

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

5.6 Revenue

The Group recognises revenue from the following major sources:

- Sale of goods - building materials, infrastructure products and basic chemicals
- Construction contracts
- Rendering 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

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

The Group recognises revenue from the following major sources:

5.6.1 Sale of goods - building materials, infrastructure products and basic chemicals

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.6 Revenue (continued)

5.6.1 Sale of goods - building materials, infrastructure products and basic chemicals (continued)

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

5.6.2 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.

5.6.3 Rendering of services

The Group generates revenues from engineering supervision and other services for oil and gas entities, IT services and hotel operations.

Revenue from these services is recognised as service is rendered. Customers are invoiced periodically in accordance with individual contracts as service is provided. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

Hotel operations revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale and other related services are recognised on the performance of the service.

5.7 Interest income

Interest income is reported on an accrual basis using the effective interest method.

5.8 Dividend income

Dividend income is recognised at the time the right to receive payment is established.

5.9 Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

5.10 Operating expenses

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

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.11 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.

5.12 Taxation

5.12.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

For the year ended 31 December 2022, one of the subsidiaries of the Group has no liability towards NLST in line with agreement between The Islamic Republic of Pakistan and the State of Kuwait for the "avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income" which state that income source shall be taxed only in the Contracting State.

5.12.2 Zakat

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

Under the Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

5.12.3 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.12.4 Withholding taxes

The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

5.12.5 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.13 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment of value. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.13 Property, plant and equipment (continued)

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	to 20 years 4
Plant and machinery	to 30 years 1
Motor vehicles	to 10 years 2
Furniture and equipment	to 10 years 3

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.

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 and other comprehensive income.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.14 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. Any gain or loss resulting from change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within "change in fair value of investment properties".

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss resulting from disposal of an investment property is immediately recognised in the consolidated statement of profit or loss within "gain/loss on sale of investment properties".

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.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.15 Leases

The Group as a lessee

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 on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

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

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

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

The Group as a lessor

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

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.15 Leases (continued)

The Group as a lessor (continued)

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.

5.16 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 Financial instruments

5.17.1 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.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.17 Financial instruments (continued)

5.17.1 Recognition, initial measurement and derecognition (continued)

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

(a) the Group has transferred substantially all the risks and rewards of the asset or

(b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive (FVTOCI)

5.17.2 Classification of financial assets

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (Note 5.17.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.17 Financial instruments (continued)

5.17.3Subsequent measurement of financial assets

a) ***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:

- ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- ***Receivables and other financial assets***

Trade receivable are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

b) ***Financial assets at FVTPL***

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI 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 investment in managed portfolios and funds and investment in quoted and unquoted equity shares.

c) ***Financial assets at FVTOCI***

The Group's financial assets at FVTOCI comprise of investments in managed portfolios and funds, equity shares (quoted equity shares and unquoted equity participation).

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

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.17 Financial instruments (continued)

5.17.3 Subsequent measurement of financial assets (continued)

c) Financial assets at FVTOCI (continued)

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the Cumulative Changes in Fair Value Reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity on sale.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

5.17.4 Impairment of financial assets

The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances
- Short term deposits
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses

The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to

have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

5 Material accounting policies (continued)

5.17 Financial instruments (continued)

5.17.4 Impairment of financial assets (continued)

Stage 3: Lifetime ECL – credit impaired (continued)

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5.17.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, bonds leasing creditors, due to banks, trade payables and other liabilities.

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

a) Financial liabilities at amortised cost

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

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.17 Financial instruments (continued)

5.17.5 Classification and subsequent measurement of financial liabilities (continued)

a) Financial liabilities at amortised cost (continued)

- ***Borrowings***

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

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

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

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- ***Bonds***

Bonds are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in accounts payable and other liabilities.

- ***Accounts payables and other financial liabilities***

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

b) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.18 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.

5.19 Offsetting of financial instruments

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

5.20 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

5.21 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

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

5.22 Equity, reserves and dividend payments

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

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's Articles of Association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign operations into KD and the Group's share of foreign currency translation reserves shown in the associates' statement of financial position.
- cumulative changes in fair value – comprises gains and losses relating to financial assets at FVTOCI.
- treasury shares reserve – comprise of gains and losses from re-issuance of treasury shares.

Retained earnings include all current and prior period profit retained/losses incurred.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.22 Equity, reserves and dividend payments (continued)

All transactions with owners of the Parent Company are recorded separately within consolidated statement of changes in equity.

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

5.23 Treasury shares

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

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

5.24 Provisions, contingent assets and contingent liabilities

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

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

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

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

5.25 Foreign currency translation

5.25.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.25.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.25 Foreign currency translation (continued)

5.25.2 Foreign currency transactions and balances (continued)

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, “fair value through profit or loss” is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and “financial assets at FVTOCI” are reported as part of the cumulative change in fair value reserve within equity.

5.25.3 Foreign operations

In the Group’s financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation.

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

5.26 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.

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

5.27 Pensions

Contributions are paid to both defined benefit and defined contribution pension schemes of foreign subsidiaries in accordance with the recommendations of independent actuaries and advisors. Contributions to defined contribution schemes are charged to the consolidated statement of profit or loss on an accrual basis.

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of profit or loss and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised past service costs and the effect of curtailments or settlements. Actuarial gains or losses are recognised in full in other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.28 Related party transactions

Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

5.29 Share-based payment

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

5.30 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

5.31 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (eg regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

6 Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 5.17). 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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Significant increase in credit risk

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

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

6.1.3 Classification of real estate

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

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

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

6.1.4 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

6.1.5 Control assessment

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

6.1.6 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 Contract revenue

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.2 Impairment of goodwill and other intangible assets

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

6.2.3 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.

6.2.4 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.

6.2.5 Useful lives of depreciable/amortisable assets

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

6.2.6 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.

6.2.7 Fair value of financial instruments

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

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. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in a arm's length transaction at the reporting date.

6.2.9 Defined benefits obligation

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses

6.2.10 Provision for foreign taxation

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made.

7 Subsidiaries

7.1 Composition of the Group

Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group at year end	
			31 Dec. 2023	31 Dec. 2022
			%	%
Al Durra National Real Estate Company – KSC (Closed) (a)	Kuwait	Real Estate	**97**	97
Combined National Industries Holding Company for Energy – KSC (Closed) (a)	Kuwait	Investments	**96**	96
Pearl National Holding Company– KSC (Closed) (a)	Kuwait	Investments	**99**	99
BI Group Plc (owned by Proclad Group Limited)	United Kingdom	Specialist Engineering	**100**	100
Ikarus Petroleum Industries Company – KSC (Closed) (7.2)	Kuwait	Petroleum	**72**	72
National Industries Company - KPSC (b)	Kuwait	Industrial	**50**	50
Noor Financial Investment Company – KPSC	Kuwait	Investments	**50**	50
Proclad Group Limited	UAE	Specialist Engineering	**100**	100
Eagle Proprietary Investments Limited	UAE	Investments	**100**	100

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.1 Composition of the Group (continued)

(a) The Group's ownership of these subsidiaries is 100% as the remaining shares are held by nominees on behalf of the Group.

(b) 99% (2022: 87%) of the Group's owned shares of National Industries Company – KPSC are kept in a custody portfolio with a specialised institution against borrowings. Additionally, part of the ownership of one of the indirect subsidiaries has been pledged as security against borrowings (Note 22).

7.2 Acquisition of subsidiaries

During the year, a local subsidiary of the Group acquired additional 20% of the share capital in its associate, Gas and Oil Field Services Company KSC (Closed), which resulted in increase of the Group's ownership interest in the associate from 40% to 60% and enabling the Group to control the investee. The effective date of the acquisition was 1 January 2023 and was accounted in accordance with IFRS 3 as follows:

	KD '000
Total consideration paid for additional stake of 20%	**5,000**
Fair value of previously held equity interest in the associate (note 19)	**10,745**
Value of non-controlling interests	**10,649**
	26,394
Less: recognised amounts of identifiable assets acquired and liabilities assumed:	
Total assets acquired (a)	**83,444**
Total liabilities assumed	**(56,912)**
Total identifiable net assets	**26,532**
Gain on bargain purchase of the subsidiary	**138**

(c) The Group finalised the purchase price allocation for acquisition of the subsidiary. Based on the revised purchase price allocation, the Group has identified certain intangible assets aggregating to KD12,091 thousand as part of the acquisition of the subsidiary representing customer relationships and customer contracts acquired in a business combination that qualify for separate recognition and have been recognised at their fair values. In addition, the subsidiary's trade receivables and other assets have been fair valued using present value calculations and have been recognised at KD34,614 thousands.

(d) For the purpose of the consolidated statement of cash flows, the net cash outflow on acquisition of subsidiary is KD7,507 thousands.

(e) The subsidiary has been consolidated from the beginning of the year and has contributed total revenue of KD15,080 thousands and profit of KD31 thousands.

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.3 Subsidiaries with material non-controlling interests

The Group includes three subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) for the year allocated to NCI		Accumulated NCI	
	31 Dec. 2023	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022
	%	%	**KD '000**	KD '000	**KD '000**	KD '000
Noor Financial Investment Company - KPSC	**50**	50	**18,482**	9,686	**63,335**	49,727
National Industries Company - KPSC	**50**	50	**1,851**	2,068	**46,668**	48,927
Ikarus Petroleum Industries Company – KSC (Closed)	**28**	28	**1,360**	473	**55,052**	44,216
Individual immaterial subsidiaries with non-controlling interests			**210**	268	**1,328**	329
			21,903	12,495	**166,383**	143,199

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

Statement of financial position as at 31 December 2023:

	Noor Financial Investment	National Industries Company	Ikarus Petroleum Industries
	KD '000	KD '000	KD '000
Total assets	**145,431**	**117,862**	**232,388**
Total liabilities	**30,715**	**30,832**	**101,477**
Equity attributable to the shareholders of the Parent Company	**57,106**	**42,966**	**80,746**
Non-controlling interests	**57,610**	**44,064**	**50,165**

Statement of financial position as at 31 December 2022:

	Noor Financial Investment	National Industries Company	Ikarus Petroleum Industries
	KD '000	KD '000	KD '000
Total assets	114,430	118,977	162,685
Total liabilities	26,496	29,251	41,411
Equity attributable to the shareholders of the Parent Company	43,518	43,328	81,964
Non-controlling interests	44,416	46,398	39,310

Notes to the consolidated financial statements (continued)

7 Subsidiaries (continued)

7.3 Subsidiaries with material non-controlling interests (continued)

Statement of profit or loss for the year ended 31 December 2023 and 31 December 2022:

	Noor Financial Investment	National Industries Company	Ikarus Petroleum Industries
	KD '000	KD '000	KD '000
31 December 2023:			
Revenue	**56,909**	**51,839**	**32,580**
Profit for the year	**37,104**	**3,818**	**3,288**
Other comprehensive loss for the year	**(7,707)**	**(1,123)**	**700**
Total comprehensive income/(loss) / profit for the year	**29,397**	**2,695**	**3,988**
- attributable to the shareholders of the Parent Company	**14,881**	**1,364**	**2,402**
- attributable to NCI	**14,516**	**1,331**	**1,586**
Dividend paid to NCI	**1,297**	**1,755**	**1,382**
31 December 2022:			
Revenue	38,806	49,844	11,552
Profit for the year	19,870	4,269	594
Other comprehensive loss for the year	(16,994)	(3,096)	(3,857)
Total comprehensive income/(loss) for the year	2,876	1,173	(3,263)
- attributable to the shareholders of the Parent Company	1,437	635	(2,732)
- attributable to NCI	1,439	538	(531)
Dividend paid to NCI	1,204	1,756	832

Statement of cash flows for the year ended 31 December 2023 and 31 December 2022:

	Noor Financial Investment	National Industries Company	Ikarus Petroleum Industries
	KD '000	KD '000	KD '000
31 December 2023:			
Net cash inflow from operating activities	**2,324**	**12,675**	**872**
Net cash inflow/(outflow) from investing activities	**9,956**	**(15,095)**	**(5,118)**
Net cash outflow from financing activities	**(4,386)**	**(5,588)**	**(3,589)**
Net cash inflow/(outflow)	**7,894**	**(8,008)**	**(7,835)**
31 December 2022:			
Net cash (outflow)/inflow from operating activities	(251)	6,868	10,832
Net cash inflow from investing activities	8,109	3,013	413
Net cash outflow from financing activities	(7,363)	(7,078)	(11,894)
Net cash inflow/(outflow)	495	2,803	(649)

8 Finance costs

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
On financial liabilities at amortised cost:		
Due to banks, borrowings and bonds	**39,253**	24,768
Lease liabilities	**1,521**	410
	40,774	25,178

Notes to the consolidated financial statements (continued)

9 Net Impairment losses and provision

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
Impairment of accounts receivable and other assets, net	(462)	1,990
Impairment of associates	16,650	5,427
Provision for a legal case (Note 36.2c)	2,377	-
	18,565	7,417

10 Profit for the year

Profit for the year is stated after charging the following expenses:

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
Staff costs	42,460	33,367
Depreciation	9,657	6,796
Amortisation	3,466	2,168

11 Net gain/(loss) on financial assets and financial liabilities

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

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
From financial assets at amortised cost:		
- Interest income	8,969	4,216
- Impairment in value of accounts receivable and other assets	462	(1,990)
- Reversal of provision on wakala investment	8,584	-
From financial assets at fair value through profit or loss (FVTPL):		
- Gain on sale	2,538	7,655
- Change in fair value	(8,953)	1,936
- Dividend income	12,318	7,659
From financial assets at fair value through other comprehensive income (FVTOCI):		
- recognised directly in other comprehensive income	4,769	(18,883)
- recognised directly in consolidated statement of profit or loss as dividend	17,884	11,722
	46,571	12,315
From financial liabilities at amortised cost:		
- Finance costs	(40,774)	(25,178)
	5,797	(12,863)
Net gain recognised in the consolidated statement of profit or loss	1,028	6,020
Net gain / (loss) recognised in the consolidated statement of profit or loss and other comprehensive income	4,769	(18,883)
	5,797	(12,863)

12 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
Profit for the year attributable to the owners of the Parent Company (KD '000)	**24,876**	21,426
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**2,258,436,212**	2,163,233,512
Basic and diluted earnings per share attributable to the owners of the Parent Company:	**11.0 Fils**	9.9 Fils

The basic and diluted earnings per share reported during the previous year was 10.4 Fils, before retroactive adjustments relating to bonus shares issue (note 29).

There were no potential dilutive shares.

13 Cash and cash equivalents

	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Bank balances and cash	**25,119**	35,450
Short term deposits	**176,177**	159,918
Cash and cash equivalents for the purpose of consolidated statement of financial position	**201,296**	195,368
Less: restricted bank balances (a)	**(6)**	(6)
Less: time deposits maturing after three months	**(18,626)**	(108,864)
Due to banks (b)	**(13,603)**	(12,604)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**169,061**	73,894

a) The short-term deposits carry effective interest rate ranging between 2.9% - 5.7% (2022: between 0.6% - 5.3%)

b) Due to banks include utilised bank overdraft facilities secured by pledge of short-term deposits of KD678 thousand (2022: KD654 thousand). Due to banks carry effective interest rate ranging between 3.9% - 11% (2022: between 4.7% - 6.5%)

c) Cash and cash equivalents amounting to KD30 thousand (2022: KD64 thousand) are pledged against borrowings (Note 22).

Notes to the consolidated financial statements (continued)

14 Accounts receivable and other assets

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Financial assets		
Trade receivables – net (a)	**68,125**	30,982
Due from related parties (Note 33)	**19,385**	20,642
Accrued income	**1,289**	1,808
Other financial assets	**9,412**	10,930
	98,211	64,362
Non-financial assets		
Prepayments and other assets	**20,521**	4,633
	20,521	4,633
	118,732	68,995

a) Trade receivables – net

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery.

Trade receivable comprise of the following:

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Neither past due nor impaired	**19,664**	22,395
Past due but not impaired:		
90-270 days	**18,095**	7,517
More than 270 days	**30,366**	1,070
	68,125	30,982

During the year, the Group recognised an amount of KD2,532 thousands in the consolidated statement of profit or loss under "other income", due to the unwinding of the present value discount taken on trade receivable (note 7.2a).

Notes to the consolidated financial statements (continued)

15 Inventories

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Finished goods and work-in-progress	**29,771**	22,295
Raw materials and consumables	**14,799**	15,328
Spare parts and others	**4,416**	4,119
Goods in transit	**786**	695
	49,772	42,437
Provision for slow-moving inventories	**(2,592)**	(1,331)
	47,180	41,106

16 Financial assets at fair value through profit or loss

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Quoted securities:		
- Local	**197,659**	213,884
- Foreign	**59,922**	59,076
Unquoted securities:		
- Local	**2,703**	2,305
- Foreign	**28,448**	25,098
Managed portfolios and funds:		
- Investment in private equity funds	**90,406**	89,330
- Local funds	**1,818**	2,012
- Foreign portfolios	**4,883**	2,000
	385,839	393,705

Quoted securities and managed funds with an aggregate carrying value of KD106,272 thousand (2022: KD131,877 thousand) are pledged against borrowings (Note 22).

The Group has signed agreements whereby certain shares of financial assets at fair value through profit or loss with aggregate carrying value of KD136,071 thousand (2022: KD159,762 thousand) have been kept in custody portfolios against borrowings (Note 22).

17 Financial assets at fair value through other comprehensive income

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Quoted securities:		
- Local	**7,929**	8,179
- Foreign	**26,800**	34,803
Unquoted securities:		
- Local	**12,681**	13,740
- Foreign	**86,968**	84,179
Managed portfolios and funds:		
- Foreign	**21,583**	23,545
Debt securities:		
- Local	**77**	-
- Foreign	**8,936**	-
	164,974	164,446

Notes to the consolidated financial statements (continued)

17 Financial assets at fair value through other comprehensive income (continued)

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

Foreign debt securities represent investments in Ijara Sukuk carrying annual average profit rate of 21%.

Quoted securities with an aggregate carrying value of KD21,088 thousand (2022: KD20,390 thousand) and unquoted securities with an aggregate carrying value of KD591 thousand (2022: KD564 thousand) are pledged against borrowings (Note 22).

The Group has signed agreements whereby certain shares of financial assets at fair value through other comprehensive income with aggregate carrying value of KD2,568 thousand (2022: KD3,670 thousand) have been kept in custody portfolios against borrowings (Note 22).

18 Investment properties

Investment properties are located as follows:

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
Kuwait	**49,361**	48,536
Saudi Arabia, UAE and Jordan	**7,577**	7,597
United Kingdom	**825**	774
	57,763	56,907

Investments properties with a carrying value of KD36,981 thousand (2022: KD38,550 thousand) are pledged against borrowings (Note 22).
Details of fair valuation of investment properties are disclosed in Note 32.4.

19 Investment in associates

19.1 Details of the Group's material associates are as follows:

Name of the associate	Country of Incorporation and principal place of business	Principal activity	Proportion of ownership interest held by the Group	
			31 Dec. 2023	31 Dec. 2022
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	**35**	35
Privatisation Holding Company – KPSC (Quoted)	Kuwait	Financial services	**38**	35
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	**27**	27
Mabanee Company - KPSC - (Quoted) (a)	Kuwait	Real estate	**18**	18

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

19.1 Details of the Group's material associates are as follows: (continued)

Although the Group owns 18% of the investee, it exercises significant influence over the associate by way of representation on the board of directors.

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

	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Balance as at 1 January	**354,380**	336,783
Additions during the year (a)	**12,647**	11,728
Reclassified to subsidiaries (b)	**(10,745)**	-
Share of results	**66,961**	38,070
Redemption/disposals	**(4,290)**	(840)
Share of other comprehensive income/(loss)	**2,866**	(4,039)
Dividend distributions	**(17,458)**	(9,605)
Impairment loss	**(16,650)**	(5,427)
Foreign currency translation adjustments	**(11,774)**	(12,290)
Other adjustments	**134**	-
Balance at the end of the year	**376,071**	354,380

a) During the year, one of the subsidiaries of the Group recognised an associate, Excellent Choice General Trading and Contracting Co. – WLL as a result of a part settlement of wakala investment by the subsidiary (Note 38). Accordingly, the subsidiary recognised its share of the net assets of the associate amounting to KD8,584 thousand. The Group owns 50% of the share capital of the associate and classified this investment as an associate because it is able to exercise significant influence over the operations of associate.

b) This represent investment in Gas and Oil Field Services Company KSC (closed) which is now accounted for as a subsidiary (note 7.2)

c) Investment in associate with a carrying value of KD1,938 thousand (2022: KD1,771 thousand) are pledged against borrowings (Note 22).

d) The Group has signed agreements whereby certain shares of investment in associates with aggregate carrying value of KD260,919 thousand (2022: KD201,888 thousand) have been kept in custody portfolios with specialised institutions against borrowings (Note 22).

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

19.3 Summarised financial information of material associates

Summarised financial information set out below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates, where applicable.

	Mabanee		*Kuwait Cement*		*Meezan Bank*		*Privatisation Holding*	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	KD '000	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000
Summarised statement of financial position - 31 December								
Total assets	**1,923,346**	1,531,614	**292,558**	295,789	**3,290,149**	3,487,631	**115,300**	122,924
Total liabilities	**(654,089)**	(480,917)	**(104,802)**	(102,836)	**(3,083,087)**	(3,326,703)	**(53,894)**	(52,750)
Non-controlling interests	**(126,876)**	(92,977)	**(166)**	(169)	**(1,689)**	(1,628)	**2,580**	1,976
Equity attributable to the owners of the associate	**1,142,381**	957,720	**187,590**	192,784	**205,373**	159,300	**63,986**	72,150
Group's ownership interest	**17.9%**	17.9%	**27.16%**	27.16%	**35.22%**	35.25%	**38.25%**	35.3%
Group's share of net assets of the associate	**204,486**	171,432	**50,949**	52,360	**72,326**	56,153	**24,475**	25,469
Goodwill	**10,496**	10,496	**14,893**	14,893	**2,374**	2,968	**-**	-
Impairment in value	**-**	-	**(23,853)**	(14,893)	**-**	-	**(6,964)**	-
Other adjustments-cumulative	**(99)**	(274)	**4,235**	3,956	**-**	-	**(5,184)**	(3,358)
Carrying value of Group's ownership interest	**214,883**	181,654	**46,224**	56,316	**74,700**	59,121	**12,327**	22,111
Fair value of the Group's interest in the quoted associates	**192,019**	185,596	**26,291**	44,217	**110,920**	84,819	**6,696**	7,751
Summarised statement of profit or loss - year ended 31 December								
Income	**307,607**	154,895	**50,963**	54,452	**470,555**	313,717	**4,089**	4,442
Profit/(loss) attributable to the shareholders of the associate	**204,623**	75,054	**678**	897	**93,094**	60,700	**(2,681)**	(3,137)
Total comprehensive income/(loss) attributable to the shareholders of the associate	**202,955**	76,255	**(3,017)**	(5,755)	**105,717**	54,168	**(2,425)**	(1,838)
Dividends from the associate during the year	**3,112**	2,936	**996**	996	**9,253**	5,396	**-**	-
Group's share of associate's contingent liabilities and commitments	**156,302**	69,639	**785**	2,890	**510,834**	617,632	**7,258**	7,568

Notes to the consolidated financial statements (continued)

19 Investment in associates (continued)

19.3 Summarised financial information of material associates (continued)

As at 31 December 2023, the fair value (based on quoted market prices) of the Group's investment in Mabanee was KD192,019 thousand. Management assessed various factors for the decline in fair value below the carrying value and concluded that the decline at the reporting date was not an indication of impairment as the it was neither significant or prolonged.

As at 31 December 2023, the fair value (based on quoted market prices) of the Group's investments in Kuwait Cement and Privatisation Holding were KD26,291 thousand and KD6,696 thousand, respectively. The carrying values of these associates exceeded their respective fair values. Management assessed the recoverable amount for each associate and recognised impairment to the extent of their recoverable amounts, where required. In arriving at the value in use, discount rates in the range of 6.21% and 10.28% were used.

19.4 Aggregate information of associates that are not individually material to the Group is as follows:

	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Group's share of results for the year	**533**	1,502
Group's share of other comprehensive in loss	**(631)**	(904)
Group's share of total comprehensive income	**(98)**	598
Aggregate carrying value of Group's ownership interests	**27,937**	35,178
Aggregate dividend received during the year	**4,097**	310

20 Property, plant and equipment

Year ended 31 December 2022

	Freehold land	Leasehold properties and buildings	Plant and machinery	Motor vehicles	Furniture and equipment	Leased plant, machinery and vehicles	Properties under construction	Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Cost or valuation								
At 1 January 2023	2,203	60,315	131,920	16,470	13,288	2,979	6,923	234,098
Foreign exchange and other adjustments	6	(216)	725	193	(42)	(4)	12	674
Additions/transfers	-	259	4,047	525	202	-	563	5,596
Arising on acquisition of a subsidiary	4,031	-	46,550	-	384	-	103	51,068
Disposals	-	(2)	(427)	(706)	(26)	-	-	(1,161)
At 31 December 2023	6,240	60,356	182,815	16,482	13,806	2,975	7,601	290,275
Accumulated depreciation and impairment losses								
At 1 January 2023	-	37,860	78,269	13,899	11,168	2,562	-	143,758
Foreign exchange and other adjustments	-	(455)	(124)	470	(28)	9	-	(128)
Charge for the year	-	1,514	7,109	497	537	-	-	9,657
Arising on acquisition of a subsidiary	-	446	21,183	-	343	-	-	21,972
Relating to disposals	-	(2)	(312)	(706)	(24)	-	-	(1,044)
At 31 December 2023	-	39,363	106,125	14,160	11,996	2,571	-	174,215
Net book value								
At 31 December 2023	6,240	20,993	76,690	2,322	1,810	404	7,601	116,060

Leasehold properties and buildings include properties on land which have been leased from the government of Kuwait through renewable lease contracts.

Properties under construction mainly represent the cost incurred upto the reporting date on the expansion of existing factories. These costs will be transferred to the appropriate asset categories when the assets are ready for their intended use.

Property plant and equipment with an aggregate carrying value of KD6,345 thousand (2022: KD6,042 thousand) are pledged against borrowings (Note 22).

20 Property, plant and equipment (continued)

Year ended 31 December 2022

	Freehold land	Leasehold properties and buildings	Plant and machinery	Motor vehicles	Furniture and equipment	Leased plant, machinery and vehicles	Properties under construction	Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Cost or valuation								
At 1 January 2022	2,183	58,300	114,548	15,523	13,833	2,907	20,163	227,457
Foreign exchange and other adjustments	20	23	(1,575)	(209)	60	72	165	(1,444)
Additions/transfers	-	2,001	19,608	471	255	-	(13,405)	8,930
Arising on acquisition of subsidiaries	-	-	781	713	39	-	-	1,533
Disposals	-	(9)	(1,442)	(28)	(899)	-	-	(2,378)
At 31 December 2022	2,203	60,315	131,920	16,470	13,288	2,979	6,923	234,098
Accumulated depreciation and impairment losses								
At 1 January 2022	-	36,559	75,561	13,309	11,084	2,343	-	138,856
Foreign exchange and other adjustments	-	(46)	(172)	(496)	45	(29)	-	(698)
Charge for the year	-	1,356	4,225	516	451	248	-	6,796
Arising on acquisition of subsidiaries	-	-	95	598	12	-	-	705
Relating to disposals	-	(9)	(1,440)	(28)	(424)	-	-	(1,901)
At 31 December 2022	-	37,860	78,269	13,899	11,168	2,562	-	143,758
Net book value								
At 31 December 2022	2,203	22,455	53,651	2,571	2,120	417	6,923	90,340

Notes to the consolidated financial statements (continued)

21 Accounts payable and other liabilities

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Financial liabilities		
Trade payables	**33,393**	21,081
Accrued interest and other expenses	**24,247**	16,609
Due to related parties (Note 31)	**1,643**	1,762
Provision for a legal case	**2,700**	2,700
Provisions for taxation	**10,879**	13,616
Other financial liabilities	**21,275**	24,707
KFAS payable	**1,851**	1,776
	95,988	82,251
Non-financial liabilities		
Other liabilities	**268**	428
	268	428
	96,256	82,679

22 Borrowings

	Effective Interest rate	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Short term:			
Term loans	**5.25% – 6.75%**	**189,989**	166,598
Islamic financing arrangements	**5.5% – 7.3%**	**54,193**	35,455
		244,182	202,053
Long term:			
Term loans	**1.4% -8.67%**		
- Current portion		**13,990**	58,448
- Due after more than one year		**211,562**	182,152
Islamic financing	**1.6% - 7.3%**		
- Current portion		**22,843**	13,322
- Due after more than one year		**142,186**	114,977
		390,581	368,899
		634,763	570,952

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Denominated in:		
Kuwait Dinar	**555,612**	**491,880**
United States Dollar	**57,824**	**57,675**
Saudi Riyal	**11,779**	**12,254**
UAE Dirham	**5,118**	**5,785**
Euro	**2,102**	**2,426**
GBP	**2,328**	**932**
At 31 December	**634,763**	**570,952**

As at 31 December 2023, certain borrowings are secured against cash and cash equivalents (Note 13 b) and pledged and/or custody of investment portfolios with specialised institutions that includes financial assets at fair value through profit and loss (Note 16), financial assets at fair value through other comprehensive income (Note 17), investment properties (Note 18), property plant and equipment (Note 20), investment in subsidiaries (Note 7), treasury shares (Note 26) and shares of certain investment in associates (Note 19).

Notes to the consolidated financial statements (continued)

23 Bonds

	Effective interest rate	31 Dec. 2023	31 Dec. 2022
		KD '000	KD '000
Kuwait Dinar:			
Floating rate bonds	CBK + (2.25% - 2.75%)	42,050	42,050
Fixed rate bonds	5.25% - 5.50%	26,050	26,050
		68,100	68,100

Floating rate bonds with a carrying value of KD34,450 thousand and fixed rate bonds with a carrying value of KD3,650 thousand will mature on 8 September 2027 whilst floating rate bonds with a carrying value of KD7,600 thousand and fixed rate bonds with a carrying value of KD22,400 thousand will mature on 11 February 2025.

The bonds are unsecured.

24 Provisions

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD '000
Provision for staff indemnity and pension liability, net	16,078	13,827
Provision for land-fill expenses	552	547
	16,630	14,374

25 Share capital and share premium

	Authorised	Issued	Paid up
31 December 2023			
Shares of 100 Fils each	**3,000,000,000**	**2,295,183,476**	**2,295,183,476**
31 December 2022			
Shares of 100 Fils each	**3,000,000,000**	**2,185,889,025**	**2,185,889,025**

During the year, the Parent Company's share capital was increased by KD10,929 thousands as a result of issuance of bonus shares (Note 29). The share capital increase was registered in the commercial register on 14 May 2023.

Share premium is not available for distribution.

26 Treasury shares

	31 Dec. 2023	31 Dec. 2022
Number of shares	36,747,261	34,997,393
Percentage of issued shares	1.60%	1.60%
Market value (KD '000)	7,460	7,559
Cost (KD'000)	23,975	23,975

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

Treasury shares owned by one of the Group's subsidiaries with a market value of KD4,636 thousand (2022: KD4,697 thousand) have been pledged against certain borrowings (Note 22).

As at 31 December 2023, an associate held 10% (2022:10%) of the Parent Company's shares.

Notes to the consolidated financial statements (continued)

27 Statutory and general reserves

The movement in the reserves is as follows:

	Statutory reserve	General reserve	Total
	KD'000	KD'000	KD '000
Balances as at 1 January 2023	**30,588**	**17,019**	**47,607**
Transferred from retained earnings	**2,536**	**2,536**	**5,072**
Balances as at 31 December 2023	**33,124**	**19,555**	**52,679**
Balances as at 1 January 2022	28,397	14,828	43,225
Transferred from retained earnings	2,191	2,191	4,382
Balances as at 31 December 2022	30,588	17,019	47,607

Statutory reserve

In accordance with the Companies Law and the Parent Company's 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 to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

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

General reserve

In accordance with the Parent Company's Articles of Association, a certain percentage of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is to be transferred to the general reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. There are no restrictions on distribution of the general reserve.

No transfer to reserves is required in a year in which the Group has incurred a loss or where accumulated losses exist.

28 Other components of equity

	Cumulative changes in fair value	Treasury shares reserve	Foreign currency translation reserve	Total
	KD '000	KD '000	KD '000	KD '000
Balances as at 1 January 2023	**1,204**	**15,915**	**(23,083)**	**(5,964)**
Share of other comprehensive income of associates	**849**	**-**	**-**	**849**
Change in fair value of financial assets at FVTOCI	**3,649**	**-**	**-**	**3,649**
Currency translation differences	**-**	**-**	**(5,352)**	**(5,352)**
Other comprehensive income/(loss)	**4,498**	**-**	**(5,352)**	**(854)**
Loss on sale of investments at FVTOCI	**1,973**	**-**	**-**	**1,973**
Balances as at 31 December 2023	**7,675**	**15,915**	**(28,435)**	**(4,845)**

Notes to the consolidated financial statements (continued)

28 Other components of equity (continued)

	Cumulative changes in fair value	Treasury shares reserve	Foreign currency translation reserve	Total
	KD '000	KD '000	KD '000	KD '000
Balances as at 1 January 2022	21,090	15,915	(15,866)	21,139
Share of other comprehensive income of associates	(2,680)	-	-	(2,680)
Change in fair value of financial assets at FVTOCI	(14,290)	-	-	(14,290)
Currency translation differences	-	-	(7,217)	(7,217)
Other comprehensive loss	(16,970)	-	(7,217)	(24,187)
Loss on sale of investments at FVTOCI	428	-	-	428
Share of associates' gain on sale of financial assets at FVTOCI	(3,344)	-	-	(3,344)
Balances as at 31 December 2022	1,204	15,915	(23,083)	(5,964)

29 Annual general assembly, dividends and directors' remuneration

The board of directors of the Parent Company proposed to distribute cash dividend of to the shareholders of 5% equivalent to 5 Fils per share, and to issue 5% bonus shares which represent 114,759,174 shares of 100 Fils each amounting to KD11,476 thousand, and an amount of KD480 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2023.

The Annual General Assembly of the shareholders of the Parent Company held on 4 May 2023 approved the consolidated financial statements for the year ended 31 December 2022 and the boards of directors' proposal to distribute cash dividend to the shareholders of 5% equivalent to 5 Fils per share, and to issue 5% bonus shares, and an amount of KD480 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2022.

The Annual General Assembly of the shareholders of the Parent Company held on 2 June 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the boards of directors' proposal to distribute cash dividend to the shareholders of 12% equivalent to 12 Fils per share, and to issue 8% bonus shares and an amount of KD650 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2021.

30 Segmental analysis

The Group's activities are concentrated in four main segments: investment, building materials and contracting services, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management of the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations in which the Group operates.

Geographical segments

The geographical analysis is as follows:

	Assets		Sales	
	31 Dec. 2023	31 Dec. 2022	**Year ended 31 Dec. 2023**	Year ended 31 Dec. 2022
	KD '000	KD '000	**KD '000**	KD '000
Kuwait	**894,835**	846,393	**77,842**	60,319
Outside Kuwait	**606,439**	538,364	**72,225**	67,870
	1,501,274	1,384,757	**150,067**	128,189

Notes to the consolidated financial statements (continued)

30 Segmental analysis (continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	31 Dec. 2023	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022
	KD '000	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000
Segment revenue	**117,162**	78,405	**49,978**	48,133	**87,116**	65,440	**12,973**	14,616	**267,229**	206,594
Less:										
Loss/(gain) from financial assets at fair value through profit or loss									**6,415**	(9,591)
Dividend income									**(30,202)**	(19,381)
Interest income									**(8,969)**	(4,216)
Share of result of associates									**(66,961)**	(38,070)
Change in fair value of investment properties									**(807)**	2,471
Rental income									**(3,213)**	(3,172)
Gain on bargain purchase of associate									**-**	(2,800)
Reversal of impairment of wakala investments									**(8,584)**	-
Other income									**(4,841)**	(3,646)
Revenue from sales and contract with customers, per consolidated statement of profit or loss									**150,067**	128,189
Segment profit	**77,192**	54,196	**3,759**	4,465	**7,439**	1,331	**978**	805	**89,368**	60,797
Less:										
Finance costs									**(40,774)**	(25,178)
Other unallocated loss									**(415)**	(79)
Profit before taxation and Directors' remuneration									**48,179**	35,540
Segment assets	**1,215,798**	1,203,437	**49,078**	50,801	**225,020**	119,665	**11,378**	10,854	**1,501,274**	1,384,757
Segment liabilities	**(31,665)**	(44,334)	**(25,096)**	(23,721)	**(56,994)**	(30,260)	**(5,768)**	(4,618)	**(119,523)**	(102,933)
Segment net assets	**1,184,133**	1,159,103	**23,982**	27,080	**168,026**	89,405	**5,610**	6,236	**1,381,751**	1,281,824
Borrowings, bonds and due to banks									**(716,466)**	(651,656)
Total equity, per consolidated statement of financial position									**665,285**	630,168

Notes to the consolidated financial statements (continued)

30 Segmental analysis (continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment	Building materials	Specialist engineering and chemical	Hotel and IT services	Total
	KD '000	KD '000	KD '000	KD '000	KD '000
At 31 December 2023					
Additions to property, plant and equipment	**-**	**2,026**	**3,511**	**59**	**5,596**
Depreciation	**131**	**3,129**	**6,154**	**243**	**9,657**
At 31 December 2022					
Additions to property, plant and equipment	34	2,117	6,681	98	8,930
Depreciation	125	2,862	3,616	193	6,796

31 Related party transactions

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

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

	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Balances included in the consolidated statement of financial position:		
Due from related parties (included in accounts receivable and other assets)		
- Due from associate companies	**17,798**	17,904
- Due from key managements personnel	**-**	68
- Due from other related parties	**1,587**	2,670
Due to related parties (included in accounts payable and other liabilities)		
- Due to associates	**20**	20
- Due to other related parties	**1,623**	1,742

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
	KD '000	KD '000
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials –associates	**750**	885
Management fees	**1,042**	-
Impairment of investments in associates	**16,650**	5,427
(Provision reversal)/charge of Impairment of accounts receivable and other assets	**(810)**	3,188
Compensation of key management personnel of the Group		
Short term employee benefits	**4,360**	4,266
Board of Directors' and committee remuneration including subsidiaries	**1,217**	1,178
Pension and end of service benefits	**256**	285
Cost of share-based payments	**253**	302
	6,086	6,031

Notes to the consolidated financial statements (continued)

32 Summary of financial assets and liabilities by category and fair value measurement

32.1 Categories of financial assets and liabilities

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

	31 Dec. 2023 KD '000	31 Dec. 2022 KD '000
Financial assets:		
At amortised cost:		
• Cash and cash equivalents (Note 13)	**201,296**	195,368
• Accounts receivable and other financial assets (Note 14)	**98,211**	64,362
• Financial assets at amortised cost	**5,197**	1,381
	304,704	261,111
At fair value:		
• Financial assets at FVTPL	**385,839**	393,705
• Financial assets at FVTOCI	**164,974**	164,446
	550,813	558,151
Total financial assets	**855,517**	819,262
Financial liabilities:		
At amortised cost:		
• Due to banks	**13,603**	12,604
• Accounts payable and other financial liabilities (Note 21)	**95,988**	82,251
• Lease liabilities	**6,637**	5,880
• Borrowings	**634,763**	570,952
• Bonds	**68,100**	68,100
	819,091	739,787

32.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets at fair value though profit or loss, financial assets at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 32.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values. The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (Note 32.4).

32.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

Notes to the consolidated financial statements (continued)

32 Summary of financial assets and liabilities by category (continued)

32.3 Fair value hierarchy

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

At 31 December 2023

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets:					
At FVTPL:					
- Quoted securities	a	**257,581**	**-**	**-**	**257,581**
- Unquoted securities	b	**-**	**-**	**31,151**	**31,151**
- Managed portfolios and funds	c	**703**	**5,999**	**90,405**	**97,107**
At FVTOCI:					
- Quoted securities	a	**34,729**	**-**	**-**	**34,729**
- Unquoted securities	b	**-**	**16,218**	**83,431**	**99,649**
- Managed portfolios and funds	c	**-**	**58**	**21,525**	**21,583**
- Debt securities	d	**-**	**9,013**	**-**	**9,013**
		293,013	**31,288**	**226,512**	**550,813**

At 31 December 2022

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets:					
At FVTPL:					
- Quoted securities	a	272,960	-	-	272,960
- Unquoted securities	b	-	-	27,403	27,403
- Managed portfolios and funds	c	816	3,196	89,330	93,342
At FVTOCI:					
- Quoted securities	a	42,982	-	-	42,982
- Unquoted securities	b	-	9,118	88,801	97,919
- Managed portfolios and funds	c	-	476	23,069	23,545
		316,758	12,790	228,603	558,151

Measurement at fair value

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

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year.

a) Quoted securities

Quoted securities represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1).

Notes to the consolidated financial statements (continued)

32 Summary of financial assets and liabilities by category (continued)

32.3 Fair value hierarchy (continued)

b) Unquoted securities (Level 2 and 3)

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

c) Managed portfolios and funds

Private equity funds (Level 3)

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

Other managed portfolios and funds (Level 2 and 3)

The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on periodic reports received from the portfolio/fund managers.

d) Debt securities

Debt securities mainly represent investments in Ijarah sukuk in Pakistan. The fair value of Ijarah Sukuk is derived using "Pakistan Islamic Revaluation Value" rates. The rates are simple average of quotes received from eight different pre-defined/approved dealers / brokers.

Level 3 Fair value measurements

The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Opening balance	**228,603**	239,496
Net change in fair value	**3,700**	(15,602)
Transferred out level 3	**(5,675)**	-
Net addition/disposal during the year	**(116)**	4,709
Closing balance	**226,512**	228,603

32.4 Fair value measurement of non-financial assets

The Group's non-financial assets measured at fair value consist of investment properties. All investment properties are categorised as level 3 under the fair value hierarchy on a recurring basis at 31 December 2023 and 2022.

Notes to the consolidated financial statements (continued)

32 Summary of financial assets and liabilities by category (continued)

32.4 Fair value measurement of non-financial assets (continued)

The movement in investment properties is as follows:

	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Balance as at 1 January	**56,907**	60,293
Additions	**-**	2,323
Disposals	**-**	(3,200)
Changes in fair value	**807**	(2,471)
Foreign currency translation	**49**	(38)
	57,763	56,907

The fair value of the investment properties has been determined based on appraisals performed by independent, professionally qualified property valuers (two appraisals for local properties, of which one from a local bank, and one appraisal for foreign properties). The significant inputs and assumptions are developed in close consultation with management. The appraisals were carried out using two methods, a yield method and a combination of market comparison approach for land and cost minus depreciation approach for buildings as follows:

	Method of valuation	
	31 Dec. 2023	31 Dec. 2022
Land and buildings in Kuwait, UAE, Saudi Arabia and UK	Yield method and Market comparison approach for land and cost less depreciation for buildings	Yield method and Market comparison approach for land and cost less depreciation for buildings
Freehold land in Kuwait, UAE and Jordan	Market comparison approach	Market comparison approach

When the yield method is used, the appraisal capitalizes the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When the actual rent differs materially from the estimated rent, adjustments have been made to the estimated rental value. The estimated rental stream considers current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings. The inputs used in the valuations at 31 December 2023 and 31 December 2022 were:

	Land and buildings in Kuwait, UAE, Saudi Arabia and UK	
	31 Dec. 2023	31 Dec. 2022
(Average monthly rent (per sqm	**KD 1.01 to KD 113**	KD 0.98 to KD 113
Yield rate	**to 7.5% 6.6%**	to 7.7% 6.6%
Vacancy rate	**10%**	10%

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

32 Summary of financial assets and liabilities by category (continued)

32.4 Fair value measurement of non-financial assets (continued)

When the market comparison approach is used, the appraisal reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use. The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in Note 32.4.

33 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long-term borrowings and bond, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, wakala investments, short term deposits and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Board of Directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

33.1 Market risk

The most significant financial risks to which the Group is exposed to are described below.

a) **Foreign currency risk**

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle East, USA, United Kingdom and Pakistan and is exposed to foreign currency risk arising, primarily from US Dollar, Saudi Riyal, GBP and Pakistan Rupees. The consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the consolidated open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

a) Foreign currency risk (continued)

	31 Dec. 2023 *Equivalent*	31 Dec. 2022 *Equivalent*
	KD '000	KD '000
US Dollars	**(24,742)**	(23,869)
Saudi Riyals	**7,047**	11,272
GBP	**(1,413)**	(6,080)
Pakistan Rupees	**88**	2,971

Management of the Group estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

	Impact on profit/loss	
	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
US Dollars	**(1,237)**	(1,193)
Saudi Riyals	**352**	564
GBP	**(71)**	(304)
Pakistan Rupees	**4**	149
	(952)	(784)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its short-term deposits (Note 13), borrowings (Note 22), bonds (Note 23) and due to banks (Note 13) which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

Positions are monitored regular to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Interest rate risk (continued)

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2023	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022
	KD '000	KD '000	**KD '000**	KD '000
Effect on profit/(loss) for the year	**(1,287)**	(1,141)	**4,044**	3,426

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments. Equity investments are classified either as "financial assets at fair value through profit or loss" or "financial assets at fair value through other comprehensive income".

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

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates an increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Profit/(loss) for the year		Other comprehensive income	
	31 Dec. 2023	31 Dec. 2022	**31 Dec. 2023**	31 Dec. 2022
	KD '000	KD '000	**KD '000**	KD '000
Financial assets at FVTPL	**25,758**	27,296	**-**	-
Financial assets at FVTOCI	**-**	-	**3,473**	4,298
	25,758	27,296	**3,473**	4,298

For a 10% decrease in the equity prices there would be an equal and opposite impact on the profit/(loss) for the year and other comprehensive income and the amounts shown above would be negative.

33.2 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.

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

	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Cash and cash equivalents (Note 13)	**201,296**	195,368
Accounts receivable and other assets (Note 14)	**98,211**	64,362
	299,507	259,730

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.2 Credit risk (continued)

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except account receivable and other asset. Management of the Group considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short-term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality.

33.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

The distribution of financial assets by geographic region was as follows:

	Kuwait	Middle East	Asia and Africa	Europe	USA	Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
At 31 December 2023						
Cash and cash equivalents	**176,531**	**11,858**	**72**	**12,824**	**11**	**201,296**
Accounts receivable and other assets	**75,956**	**8,837**	**2,783**	**10,284**	**351**	**98,211**
Financial assets at amortised cost	**3,500**	**1,697**	**-**	**-**	**-**	**5,197**
Financial assets at FVTPL	**208,505**	**53,268**	**9,127**	**82,228**	**32,711**	**385,839**
Financial assets at FVTOCI	**20,687**	**106,525**	**28,818**	**1,669**	**7,275**	**164,974**
	485,179	**182,185**	**40,800**	**107,005**	**40,348**	**855,517**
At 31 December 2022						
Cash and cash equivalents	162,952	17,329	150	10,730	4,207	195,368
Accounts receivable and other assets	34,830	10,245	5,401	13,093	793	64,362
Financial assets at amortised cost	-	1,381	-	-	-	1,381
Financial assets at FVTPL	227,355	52,332	6,268	70,164	37,586	393,705
Financial assets at FVTOCI	21,919	118,690	13,508	1,694	8,635	164,446
	447,056	199,977	25,327	95,681	51,221	819,262

33.4 Liquidity risk

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

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	At 31 December 2023			At 31 December 2022		
	1 year	Over 1 year	Total	1 year	Over 1 year	Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
ASSETS						
Cash and cash equivalents	**201,296**	**-**	**201,296**	195,368	-	195,368
Assets classified as held for sale	**7**	**-**	**7**	2,677	-	2,677
Accounts receivable and other assets	**117,882**	**850**	**118,732**	66,820	2,175	68,995
Inventories	**47,180**	**-**	**47,180**	41,106	-	41,106
Financial asset at amortised cost	**1,697**	**3,500**	**5,197**	1,381	-	1,381
Financial assets at FVTPL	**79,255**	**306,584**	**385,839**	67,082	326,623	393,705
Financial assets at FVTOCI	**19,633**	**145,341**	**164,974**	23,212	141,234	164,446
Right of use of assets	**-**	**7,187**	**7,187**	-	5,682	5,682
Investment properties	**-**	**57,763**	**57,763**	-	56,907	56,907
Investment in associates	**-**	**376,071**	**376,071**	-	354,380	354,380
Property, plant and equipment	**-**	**116,060**	**116,060**	-	90,340	90,340
Intangible assets	**-**	**10,870**	**10,870**	-	19	19
Goodwill	**-**	**10,098**	**10,098**	-	9,770	9,770
	466,950	**1,034,324**	**1,501,274**	397,646	987,111	1,384,757
LIABILITIES						
Due to banks	**13,603**	**-**	**13,603**	12,604	-	12,604
Accounts payable and other liabilities	**96,227**	**29**	**96,256**	82,650	29	82,679
Lease liabilities	**2,991**	**3,646**	**6,637**	1,842	4,038	5,880
Borrowings	**281,015**	**353,748**	**634,763**	273,823	297,129	570,952
Bonds	**-**	**68,100**	**68,100**	-	68,100	68,100
Provisions	**-**	**16,630**	**16,630**	-	14,374	14,374
	393,836	**442,153**	**835,989**	370,919	383,670	754,589

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month	1- 3 months	3- 12 months	Over 1 Year	Total
	KD '000	KD '000	KD '000	KD '000	KD '000
31 December 2023					
Financial liabilities (undiscounted)					
Due to banks	**11,615**	**264**	**1,490**	**234**	**13,603**
Accounts payable and other liabilities	**33,602**	**19,756**	**42,204**	**426**	**95,988**
Lease liabilities	**258**	**261**	**2,079**	**4,344**	**6,942**
Borrowings	**17,643**	**89,002**	**198,747**	**424,097**	**729,489**
Bonds	**342**	**659**	**3,022**	**74,356**	**78,379**
	63,460	**109,942**	**247,542**	**503,457**	**924,401**
31 December 2022					
Financial liabilities (undiscounted)					
Due to banks	10,898	-	1,706	-	12,604
Accounts payable and other liabilities	37,471	11,067	33,713	-	82,251
Lease liabilities	900	1,379	4,262	2,398	8,939
Borrowings	17,275	72,826	162,798	381,601	634,500
Bonds	329	627	3,982	78,026	82,964
	66,873	85,899	206,461	462,025	821,258

Notes to the consolidated financial statements (continued)

34 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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

The capital structure for the Group consists of the following:

	31 Dec. 2023	31 Dec. 2022
	KD '000	KD '000
Borrowings	**634,763**	570,952
Bonds	**68,100**	68,100
Due to banks	**13,603**	12,604
	716,466	651,656
Less:		
Cash and cash equivalents	**201,296**	195,368
Net debt	**515,170**	456,288
Total equity	**665,285**	630,168

The Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2023	31 Dec. 2022
	%	%
Net debt to equity ratio	**77%**	72%

35 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2023 amounted to KD2,938 thousand (2022: KD11,108 thousand) of which assets managed on behalf of the related parties amounted to KD2,900 thousand (2022: KD3,001 thousand).

36 Contingent liabilities

36.1 Contingent liabilities

At 31 December 2023, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD72,722 thousand (2022: KD44,374 thousand).

Notes to the consolidated financial statements (continued)

36 Contingent liabilities (continued)

36.2 Legal cases

The significant legal cases of the Group are summarised below:

a) One of the Group's newly acquired subsidiary has filed legal cases against one of its customers regarding gross trade receivables of KD43,077 thousand. These are shown in the Group's consolidated financials at its acquisition fair values (refer note 7.2a). During the year, the court of first instance issued a verdict for one of the cases in favour of the subsidiary which was appealed by the defendant. Management of the subsidiary and their legal advisors believe that a favourable decision of the court is probable, and the balance is fully recoverable along with additional compensation. The litigations are at its initial stages and the final outcome cannot be determined at present.

b) During the year, the General Manager of the Public Authority for Industry in Kuwait (in his capacity) filed a legal case against one of the subsidiaries requesting eviction from a non-contracted plot of land claiming that the subsidiary is obligated to pay an amount of KD16,185 thousand for utilizing the aforementioned area since 1 April 2007 along with any fees and expenses. This legal case is at its early stages and has been transferred to the experts committee. The next court hearing is scheduled for 27 June 2024. The subsidiary's management (after consulting with external legal counsel) believes that it is not obligated to pay any financial liabilities on that land due to the absence of any contracts with the above government entity. The information usually required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The subsidiary is planning to strongly contest the legal case and after consulting with their external legal counsel, believes that the claim can be successfully countered.

c) On 1 December 2011, the Group's Jordanian subsidiary, Noor Jordan Kuwait Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiaries (Noor Jordan Kuwait Transport Company JSCC) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they filed a case against the Seller claiming misrepresentation in valuing the net assets of the company sold. On 15 September 2022, the Court of First Instance ruled in favour of the Seller. However, the Buyers filed an appeal to the Court of Appeals which ruled to annul the decision and returned it back to the Court of First Instance for review. Later, the Court of First Instance issued another verdict in favor of the Seller. However, this verdict was appealed before the Amman Court of Appeal, which issued its final decision on 5 December 2023 (in absentia) in favor of the Buyers and ordered the Seller and its representatives to jointly pay an amount of JOD2,744 thousand equivalent to KD1,188 thousand. Therefore, the Group has recognised a loss of KD2,377 thousand which represents the judgment amount plus the legal interest according to the Civil Procedure Code in Jordan.

Noor Jordan Kuwait Financial Investment Company Limited submitted a request for the Court of Cassation to challenge the verdict issued by the Court of Appeal. This request was accepted in January 2024, and no hearing session has been set yet. The lawsuit will be pursued in the Court of Cassation.

37 Commitments

At the reporting date, the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties and the incorporation of investment in associates totalling KD19,915 thousand (2022: KD36,957 thousand).

Notes to the consolidated financial statements (continued)

38 Wakala investments

In previous years, one of the Group's subsidiaries, Noor Financial Investment Company ("Noor"), had Wakala investments of KD14,324 thousand placed with a local Islamic investment company which matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the original maturity date as well as the revised maturity dates stipulated by the court. Consequently, Noor made full provision in prior years against these Wakala investments but initiated various legal cases against the investee company which were eventually decided in its favor. During 2019, Noor signed a settlement agreement with the investee company under which 50% shares of Excellent Choice General Trading and Contracting Co. - WLL (acquired company) were transferred to Noor.

In years prior to the above settlement agreement, the acquired company had filed lawsuits against a local bank ("Bank") claiming return of the ownership of 33,544,500 shares of Boubyan Bank, which were transferred by the Bank in its favor through a sale contract, plus any cash or in-kind dividends and other benefits related to those shares.

In January 2022, the court of first instance rendered a judgment obligating the Bank to return to the acquired company the 50,504,513 shares of Boubyan Bank and cash dividends of KD386 thousand whereas the acquired company was ordered to pay to the Bank an amount of KD14,302 thousand as a consideration of the shares, commissions and ownership transfer fees plus an amount of KD6,416 thousand as a compensation to the Bank for losses and damages. On 3 July 2022, the court of appeal substantially upheld the above judgment but revoked the KD6,416 thousand compensation to the Bank. Hence, the total amount to be paid to the Bank was KD14,302 thousand plus court expenses and as per the certificate of execution department, total amount payable to the Bank was KD14,564 thousand. On 19 September 2023, the court of Cassation upheld the decision of court of appeal and rejected all the appeals from the Bank.

On 2 February 2023, the acquired company was able to execute part of the judgement and 50,504,513 shares of Boubyan Bank were transferred to the acquired company. However, these shares were held under a lien in favor of the Bank until the payment of KD14,564 thousand by the acquired company.

On 3 April 2023, the acquired company paid the adjudicated amount to the Bank and lien on Boubyan shares was removed. Accordingly, the acquired company obtained full rights over the transferred shares. Therefore, during the year ended 31 December 2023, Noor recognised its share of the net assets of ECC amounting to KD8,584 thousand and classified it as an investment in associate against part settlement of the wakala investments and recognised a gain on reversal of impairment of wakala investments of KD8,584 thousand in the consolidated statement of profit or loss.

39 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents.