

Consolidated financial statements and independent auditor's report
National Industries Group Holding – KPSC and Subsidiaries
Kuwait
31 December 2024

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Independent auditor's report

To the Shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Group Holding – Kuwaiti Public Shareholding Company (the “Parent Company”) and its subsidiaries, (together referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

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 Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our ethical responsibilities in accordance with these requirements and 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 represent 35% of total assets at the reporting date which require significant judgment and estimate with respect to the valuations. These financial assets are classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

The valuation of these financial assets is performed using a fair value hierarchy under IFRS as discussed below:

- Level 1: valuations based on quoted prices (unadjusted) in active markets for identical assets.
- Level 2: valuations based observable inputs other than quoted prices, such as market transactions for similar assets, interest rate curves, or credit spreads.
- Level 3: valuations based on unobservable inputs requiring significant judgment and estimation.



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

Valuation of financial assets measured at fair value (continued)

Given that Level 2 and Level 3 valuations rely on significant assumptions and modeling techniques, the valuation of these financial assets is subject to estimation uncertainty. These valuations were derived from the application of different valuation methods including relative valuation methods, adjusted net asset value and discounted cash flows. The key inputs for level 2 and level 3 valuations include market multiples, illiquidity discounts, expected cash flows, risk free rates, growth rates and credit spreads. Given the significant judgement and estimation risk involved in these valuations, we determined this to be a key audit matter.

Our audit procedures included, amongst others, assessment of the appropriateness of the valuation methodologies and models applied by the Group including agreeing the carrying value of the investments to the internal and external valuations. Further, we challenged the key valuation assumptions by critically evaluating the key inputs such as expected cash flows, risk-free rates, growth rates and credit spreads, benchmarking them against external data to assess their reasonableness and performed sensitivity analysis to understand the impact of changes in key assumptions. We determined whether the valuations provided by the Group fell within pre-defined tolerable differences thresholds, and further analysed and challenged any significant deviations. Additionally, we examined the completeness and accuracy of the disclosures related to these financial assets and ensured that the financial statements complied with IFRS disclosure requirements regarding fair value measurement.

For further details on the valuation of financial assets measured at fair value through profit or loss and other comprehensive income, refer Notes 4, 5, 15, 16 and 32 to the consolidated financial statements.

Impairment assessment of investment in associates

The Group's investment in associates represents 27% of the total assets at the reporting date and is accounted for using equity method of accounting. Under this method, investment is initially recorded at cost and subsequently adjusted for post-acquisition changes in the associate's net assets, less any recognized impairment.

Management performed an impairment assessment for certain investments in associates where impairment indicators were present at the reporting date to determine whether the carrying amounts of those associates were recoverable in accordance with IAS36 – impairment of assets. Consequently, the Group exercised significant judgement and estimates in determining their recoverable amount, based on the higher of value-in-use and fair value less cost of disposal. This involves estimating projected future cash flows and applying appropriate discount and growth rates, which are subject to estimation uncertainty and sensitivity. Given the subjective nature of key assumptions and the financial significance of these investments, we determined this to be a key audit matter.

Our audit procedures included, amongst others, evaluating management's identification of impairment indicators to determine whether impairment testing was required. For investment in associates where impairment indicators were present, we reviewed the Group's methodology for estimating recoverable amount. We assessed the reasonableness of projected future cash flows against the most recent financial performance and market trends. We also considered the appropriateness of key inputs such as long-term growth rates used to extrapolate future cash flows and the discount rates.

For further details on the impairment assessment of investments in associates, refer Notes 4, 5 and 18 to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete Group's Annual Report which is expected to be made available to us after that date.

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



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

Other information (continued)

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.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS Accounting Standards as issued by the IASB, 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.
- 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.

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 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.

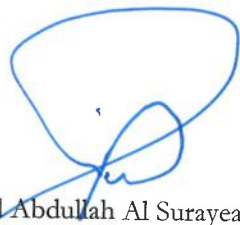
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 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 2024 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 2024 that might have had a material effect on the business or financial position of the Parent Company.



Hend Abdullah Al Surayea
License no. 141 A

of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
9 March 2025

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
Revenue from sales and contracts with customers	29	175,967	150,067
Cost of sales and contracts with customers		(138,410)	(116,112)
Gross profit		37,557	33,955
Gain/(loss) from financial assets at fair value through profit or loss	10	27,731	(6,415)
Dividend income	10	21,277	30,202
Interest income	10	9,810	8,969
Share of results of associates	18	70,347	66,961
Change in fair value of investment properties		(630)	807
Rental income		3,092	3,213
Other income	7	11,359	13,010
		180,543	150,702
General, administrative and other expenses		(33,772)	(34,535)
Distribution costs		(9,080)	(8,649)
Finance costs	10	(44,320)	(40,774)
Net impairment losses and provision charges	8	(10,292)	(18,565)
Profit before taxation and Directors' remuneration		83,079	48,179
Taxation charged on overseas subsidiaries		(1,105)	(920)
Directors' remuneration	28	(630)	(480)
Profit for the year	9	81,344	46,779
Profit for the year attributable to:			
Owners of the Parent Company		58,956	24,876
Non-controlling interests		22,388	21,903
		81,344	46,779
Basic and diluted earnings per share attributable to the owners of the Parent Company	11	24.9 Fils	10.5 Fils

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
Profit for the year	81,344	46,779
Other comprehensive income/(loss):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	2,408	(10,994)
Net change in fair value of financial assets at FVTOCI	(32)	55
Share of other comprehensive income of associates	3,354	4,098
	5,730	(6,841)
<i>Items that will not to be reclassified subsequently to profit or loss:</i>		
Net gain/(losses) from defined benefit plan actuarial	1,783	(989)
Net change in fair value of financial assets at FVTOCI	(5,824)	4,716
Share of other comprehensive income/(loss) of associates	5,752	(1,232)
	1,711	2,495
Total other comprehensive income/(loss) for the year	7,441	(4,346)
Total comprehensive income for the year	88,785	42,433
Total comprehensive income for the year attributable to:		
Owners of the Parent Company	63,647	23,033
Non-controlling interests	25,138	19,400
	88,785	42,433

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Assets			
Cash and cash equivalents	12	197,296	201,296
Accounts receivable and other assets	13	145,341	125,926
Inventories	14	46,130	47,180
Financial assets at amortised cost		10,904	5,197
Financial assets at fair value through profit or loss	15	420,271	385,839
Financial assets at fair value through other comprehensive income	16	146,482	164,974
Investment properties	17	69,171	57,763
Investment in associates	18	431,792	376,071
Property, plant and equipment	19	116,102	116,060
Intangible assets		9,623	10,870
Goodwill		6,103	10,098
Total assets		1,599,215	1,501,274
Liabilities and equity			
Liabilities			
Due to banks	12	16,446	13,603
Accounts payable and other liabilities	20	93,919	102,893
Borrowings	21	664,771	634,763
Bonds	22	68,100	68,100
Provisions	23	17,856	16,630
Total liabilities		861,092	835,989
Equity attributable to the owners of the Parent Company			
Share capital	24	240,994	229,518
Share premium	24	175,435	175,435
Treasury shares	25	(23,975)	(23,975)
Statutory and general reserves	26	64,597	52,679
Other components of equity	27	(1,725)	(4,845)
Retained earnings		95,584	70,090
Equity attributable to the owners of the Parent Company		550,910	498,902
Non-controlling interests	6.2	187,213	166,383
Total equity		738,123	665,285
Total liabilities and equity		1,599,215	1,501,274

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

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The notes set out on pages 12 to 66 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						Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory and general reserves KD '000	Other components of equity KD '000	Retained earnings KD '000	Sub-total KD '000	
Balance at 1 January 2023	218,589	175,435	(23,975)	47,607	(5,964)	75,277	486,969	630,168
Changes in non-controlling interests	-	-	-	-	-	-	-	(1,951)
Increase in non-controlling interests on acquisition of subsidiaries	-	-	-	-	-	-	-	10,649
Issue of bonus shares (note 28)	10,929	-	-	-	-	(10,929)	-	-
Cash dividend (note 28)	-	-	-	-	-	(10,754)	(10,754)	(10,754)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(4,435)
Consolidation and other adjustments	-	-	-	-	-	(346)	(346)	(825)
Total transactions with owners	10,929	-	-	-	-	(22,029)	(11,100)	(7,316)
Profit for the year	-	-	-	-	-	24,876	24,876	46,779
Other comprehensive loss for the year	-	-	-	-	(854)	(989)	(1,843)	(4,346)
Total comprehensive (loss)/income for the year	-	-	-	-	(854)	23,887	23,033	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	665,285

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
OPERATING ACTIVITIES		
Profit before taxation and Directors' remuneration	83,079	48,179
Adjustments:		
Dividend income	(21,277)	(30,202)
Share of results of associates	(70,347)	(66,961)
Interest income	(9,810)	(8,969)
Net provisions charged during the year	1,226	2,256
Depreciation and amortisation	12,717	13,123
Net impairment losses and provisions	10,292	18,565
Change in fair value of investment properties	630	(807)
Reversal of provisions no longer required	(4,510)	-
Reversal of impairment of wakala investments	-	(8,584)
Finance costs	44,320	40,774
	46,320	7,374
Changes in operating assets and liabilities:		
Inventories	1,050	(5,314)
Accounts receivable and other assets	(20,379)	(12,492)
Financial assets at fair value through profit or loss	(34,432)	7,899
Accounts payable and other liabilities	(1,054)	4,464
Cash (used in)/from operations	(8,495)	1,931
Taxation paid	(1,311)	(882)
Net cash (used in)/from operating activities	(9,806)	1,049
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,312)	(5,596)
Proceeds from disposal of property, plant and equipment	5	117
Acquisition of financial assets at amortised cost	(5,707)	(3,816)
Net additions to investment properties	(14,268)	-
Purchase of investment in associates	(1,138)	(4,063)
Additions to right of use assets	(1,599)	(3,617)
Dividends received from associates	22,086	17,458
Proceeds from reduction in investment in associates	-	4,290
Purchase of financial assets at FVTOCI	(6,941)	(11,542)
Proceeds from sale of financial assets at FVTOCI	19,574	15,785
Dividend income received	21,277	30,202
Net cash outflow on acquisition of subsidiaries	-	(7,507)
Decrease in restricted bank balances	1	-
Decrease of short-term deposits maturing after 3 months	3,990	90,238
Interest income received	9,577	9,436
Net cash from investing activities	37,545	131,385

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
FINANCING ACTIVITIES			
Net increase in borrowings		30,008	21,576
Repayment of lease liabilities		(2,703)	(3,407)
Dividend paid to non-controlling interests		(4,499)	(4,435)
Finance costs paid		(43,848)	(39,375)
Dividend paid to the owners of the Parent Company		(11,390)	(11,041)
Paid to non-controlling interests on capital reduction of a subsidiary		(27)	(19)
Net cash used in financing activities		(32,459)	(36,701)
Net (decrease)/increase in cash and cash equivalents		(4,720)	95,733
Foreign currency translation differences		1,868	(566)
		(2,852)	95,167
Cash and cash equivalents at beginning of the year		169,061	73,894
Cash and cash equivalents at end of the year	12	166,209	169,061

The notes set out on pages 12 to 66 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information and nature of operations

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.

2 Statement of compliance with IFRS and going concern assumption

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption the Group operates on a going concern basis, which assumes the Group will be able to discharge its liabilities as they fall due.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 9 March 2025. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements after issuance.

3 New or revised Standards or Interpretations

3.1 New Standards adopted as at 1 January 2024

The following amendments to existing IFRS Accounting Standards were effective for the current period.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
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
IFRS 16 Amendments- Lease liability in a sale and leaseback	1 January 2024

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities as either 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.

Notes to the consolidated financial statements (continued)

3 New or revised Standards or Interpretations (continued)

3.1 New Standards adopted as at 1 January 2024 (continued)

IAS 1 Amendments - Classification of liabilities with debt covenants (continued)

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

IAS 1 Amendments - Classification of current or non-current

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

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

IFRS 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.

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)

3 New or revised Standards or Interpretations (continued)

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

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.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 21 Amendments – Lack of exchangeability	1 January 2025
IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments - Amendments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027

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.
- 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.

IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments

The amendments to IFRS 7 and IFRS 9 addresses three changes:

- derecognition of a financial liability settled through electronic transfer whereby entities are permitted to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option would be required to apply it to all settlements made through the same electronic payment system.

Notes to the consolidated financial statements (continued)

3 New or revised Standards or Interpretations (continued)

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group (continued)

IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments (continued)

- Classification of financial assets based on a) contractual terms that are consistent with basic lending arrangements, b) assets with non-recourse description has been enhanced to include a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets, and c) contractually linked instruments have been clarified; and,
- Disclosures relating to a) financial assets at FVTOCI where entities are required to disclose fair value gain or loss separately for financial assets derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period, and b) contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs.

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.

IFRS 18 Presentation and Disclosure in Financial Statements

The new standard will replace the IAS 1 Presentation of Financial Statements though it contains a number of the current requirements in the IAS 1. IFRS 18 sets out to ensure the financial statements provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The major new requirements in IFRS 18 include

- Presentation of specific categories and sub totals in the statement of profit or loss
- Disclosures of management-defined performance measures (MPM)
- Improvement of aggregation and disaggregation

Management anticipates that the adoption of the new standard in the future may have an impact on the Group's consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows reduced disclosure requirements for an entity instead of the disclosure requirements in other IFRS Accounting Standards if the entity 1) is a subsidiary, 2) it does not have public accountability, 3) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. An entity electing to apply IFRS 19 is required to apply other IFRS Accounting Standards, except for the disclosure requirements.

Management does not anticipate adoption of the new standard for its consolidated financial statements of the Group.

Notes to the consolidated financial statements (continued)

4 Material accounting policies

4.1 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.

4.2 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.

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.

4.3 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.3 Business combinations (continued)

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.

4.4 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.

4.5 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.

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.

4.6 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.6 Investment in associates (continued)

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.

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.

4.7 Segment reporting

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

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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.8 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:

4.8.1 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.

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).

4.8.2 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.8 Revenue (continued)

4.8.2 Construction contracts (continued)

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.

4.8.3 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.

4.9 Interest income

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

4.10 Dividend income

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

4.11 Rental income

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

4.12 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.

4.13 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.

4.14 Taxation

4.14.1 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.14 Taxation (continued)

4.14.1 National Labour Support Tax (NLST) (continued)

For the year ended 31 December 2024, 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.

4.14.2 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.

4.14.3 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.

4.14.4 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.

4.14.5 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.

4.15 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:

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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.15 Property, plant and equipment (continued)

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 its intended use.

4.16 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.

4.17 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.17 Leases (continued)

The Group as a lessee (continued)

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

Measurement and recognition of leases as a lessee:

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

Right-of-use asset

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

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

Lease liability

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

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

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

The Group as a lessor

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

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

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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.17 Leases (continued)

The Group as a lessor (continued)

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

4.18 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.

4.19 Financial instruments

4.19.1 Recognition, initial measurement and derecognition

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

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

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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.19 Financial instruments (continued)

4.19.1 Recognition, initial measurement and derecognition

- (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)

4.19.2 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 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.

4.19.3 Subsequent 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

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.19 Financial instruments (continued)

4.19.3 Subsequent measurement of financial assets (continued)

a) *Financial assets at amortised cost (continued)*

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

- *Receivables and other financial assets*

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

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.

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).

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.19 Financial instruments (continued)

4.19.3 Subsequent measurement of financial assets (continued)

c) Financial assets at FVTOCI (continued)

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.

4.19.4 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.

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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.19 Financial instruments (continued)

4.19.4 Impairment of financial assets (continued)

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.

4.19.5 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:

- *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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.19 Financial instruments (continued)

4.19.5 Classification and subsequent measurement of financial liabilities (continued)

a) Financial liabilities at amortised cost (continued)

- *Borrowings (continued)*

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.

4.20 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.

Notes to the consolidated financial statements (continued)

4 Material accounting policies (continued)

4.21 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.

4.22 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 32.

4.23 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.

4.24 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 and the Group's share of cumulative changes in fair value reserves shown in the associates' statement of financial position.
- 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)

4 Material accounting policies (continued)

4.24 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.

4.25 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.

4.26 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.

4.27 Foreign currency translation

4.27.1 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.

4.27.2 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)

4 Material accounting policies (continued)

4.27 Foreign currency translation (continued)

4.27.2 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.

4.27.3 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.

4.28 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.

4.29 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)

4 Material accounting policies (continued)

4.30 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.

4.31 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.

4.32 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.

4.33 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels) or any other crisis. The Group has identified and assessed 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.

5 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Group's consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

5.1 Significant management judgments

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on these consolidated financial statements.

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 4.19). 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)

5 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.2 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.

5.1.3 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.

5.1.4 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.

5.1.5 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.

5.1.6 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.

5.2 Estimates uncertainty

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

Notes to the consolidated financial statements (continued)

5 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.1 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.

5.2.2 Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

5.2.3 Impairment of financial assets

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

5.2.4 Useful lives of depreciable/amortisable assets

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

5.2.5 Inventories

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.

5.2.6 Fair value of financial instruments

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

5.2.7 Revaluation of investment properties

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

Notes to the consolidated financial statements (continued)

5 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.8 Defined benefits obligation

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

5.2.9 Provision for foreign taxation

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

6 Subsidiaries

6.1 Composition of the Group

Set out below are the details of the material subsidiaries held directly by the Group:

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. 2024 %	31 Dec. 2023 %
Al Durra National Real Estate Company – KSC (Closed) (b)	Kuwait	Real Estate	97	97
Combined National Industries Holding Company for Energy – KSC (Closed) (b)	Kuwait	Investments	96	96
Pearl National Holding Company– KSC (Closed) (b)	Kuwait	Investments	99	99
Ikarus Petroleum Industries Company – KSC (Closed)	Kuwait	Petroleum	72	72
National Industries Company - KPSC (c)	Kuwait	Industrial	50	50
Noor Financial Investment Company – KPSC	Kuwait	Investments	50	50
Proclad Group Limited (a)	UAE	Specialist Engineering	100	100
Eagle Proprietary Investments Limited	UAE	Investments	100	100

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

- (a) The annual financial reporting date of Proclad Group Limited is 30 November. Additional information is obtained by the Group, including monthly management accounts for the period between 30 November and 31 December. Any material transactions occurring during December are adjusted in the Group's consolidated financial statements as necessary.
- (b) The Group's ownership of these subsidiaries is 100% as the remaining shares are held by nominees on behalf of the Group.
- (c) 99% (2023: 99%) 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 21).

6.2 Subsidiaries with material non-controlling interests

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

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) for the year allocated to NCI		Accumulated NCI	
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
	%	%	KD '000	KD '000	KD '000	KD '000
Noor Financial Investment Company - KPSC	50	50	20,480	18,482	84,624	63,335
National Industries Company - KPSC	50	50	3,202	1,851	48,752	46,668
Ikarus Petroleum Industries Company – KSC (Closed)	28	28	(1,192)	1,360	52,305	55,052
Individual immaterial subsidiaries with non-controlling interests			(102)	210	1,532	1,328
			22,388	21,903	187,213	166,383

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

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

	Noor Financial Investment		National Industries Company		Ikarus Petroleum Industries	
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Non-current assets	128,700	99,955	62,122	62,776	129,644	144,765
Current assets	46,934	45,476	61,080	54,941	94,005	87,623
Total assets	175,634	145,431	123,202	117,717	223,649	232,388
Non-current liabilities	1,943	16,724	9,215	8,117	38,276	56,287
Current liabilities	13,283	13,991	20,120	22,570	67,463	45,190
Total liabilities	15,226	30,715	29,335	30,687	105,739	101,477
Equity attributable to shareholders of the Parent	80,244	57,106	46,699	42,966	70,488	80,746
Non-controlling interests	80,164	57,610	47,168	44,064	47,422	50,165
Revenue	59,362	56,909	56,508	51,839	27,531	32,580
Profit/(loss) for the year attributable to the shareholders of the Parent	21,335	18,794	3,042	1,931	(6,129)	1,912
Profit/(loss) for the year attributable to NCI	20,837	18,310	3,218	1,887	(1,192)	1,376
Profit for the year	42,172	37,104	6,260	3,818	(7,321)	3,288
Total comprehensive income for the year attributable to the shareholders of the Parent	24,976	14,881	5,083	1,364	(8,448)	2,402
Total comprehensive income for the year attributable to NCI	24,400	14,516	5,161	1,331	(2,053)	1,586
Total comprehensive income for the year	49,376	29,397	10,244	2,695	(10,501)	3,988
Dividend paid to NCI	2,051	1,297	1,757	1,755	691	1,383
Net cash (outflow)/inflow from operating activities	(7,141)	2,324	7,491	12,675	(3,564)	872
Net cash inflow/(outflow) from investing activities	25,862	9,956	(456)	(15,095)	1,962	(5,118)
Net cash outflow from financing activities	(19,870)	(4,386)	(3,475)	(5,588)	(5,154)	(3,589)
Net cash (outflow)/ inflow	(1,149)	7,894	3,560	(8,008)	(6,756)	(7,835)

6.3 Interests in unconsolidated structured entities

The Group has no material interests in unconsolidated structured entities.

Notes to the consolidated financial statements (continued)

7 Other income

	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
Reversal of impairment of wakala investments (a)	-	8,584
Reversal of legal claims provisions (b, c)	4,510	-
Unwinding of discount on receivables	2,856	2,532
Insurance claims	2,346	224
Others	1,647	1,670
	11,359	13,010

- a) Noor Financial Investment Company, one of the Group's subsidiaries, had Wakala investments of KD14,324 thousand with a local Islamic investment company, which defaulted in 2008. After legal actions, a 2019 settlement granted Noor a 50% stake in Excellent Choice General Trading and Contracting Co. (ECC). ECC later won a lawsuit against a local bank, reclaiming 33,544,500 Boubyan Bank shares. As a result, Noor recognized an investment of KD8,584 thousand in ECC and recorded the same amount as other income in March 2023 on the reversal of Wakala investment impairment.
- b) During the year, the Court of Cassation ruled in favour of a government entity, requiring one of the Group's subsidiaries to pay an amount of USD1.868 million (equivalent to KD580 thousand) for gas usage from 2004 to 2011. The subsidiary had previously made a provision of KD2,700 thousand for this dispute. As a result, the excess provision of KD2,133 thousand was reversed to reflect the updated legal obligation.
- c) On 1 December 2011, Noor Jordan Kuwait Financial Investment Company Limited, one of the Group's indirect subsidiaries, disposed of its entire equity interest in one of its Jordanian subsidiaries. Following the sale, the buyers sued Noor Jordan claiming misrepresentation of net assets of the sold company. While the Court of First Instance ruled in favour of Noor Jordan twice, the Amman Court of Appeal ultimately ruled in favor of the buyers on 5 December 2023, ordering a payment of JOD2,744 thousand equivalents to KD1,188 thousand. As a result, the Group had recognised a provision of KD2,377 thousand in its 2023 annual consolidated financial statements. However, Noor Jordan successfully challenged the verdict at the Court of Cassation. On 23 June 2024, the Court of Appeal ruled in favor of Noor Jordan dismissing all charges. Consequently, the Noor Jordan reversed the provision of KD2,377 thousand in these consolidated financial statements.

8 Net impairment losses and provision charges

	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
Impairment of accounts receivable and other assets, net	2,139	(462)
Impairment of goodwill	4,072	-
Impairment of associates (Note 18)	4,081	16,650
Provision for a legal case (Note 7c)	-	2,377
	10,292	18,565

Notes to the consolidated financial statements (continued)

9 Profit for the year

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

	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
Staff costs	44,938	42,460
Depreciation	8,914	9,657
Amortisation	3,803	3,466

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

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

	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
From financial assets at amortised cost:		
- Interest income	9,810	8,969
- Impairment of accounts receivable and other assets- net	(2,139)	462
- Reversal of impairment of wakala investment	-	8,584
- Reversal of legal claims provisions	4,510	-
- Unwinding of discount on receivables	2,856	2,532
From financial assets at fair value through profit or loss (FVTPL):		
- Gain on sale	3,147	2,538
- Change in fair value	24,584	(8,953)
- Dividend income	10,002	12,318
From financial assets at fair value through other comprehensive income (FVTOCI):		
- recognised directly in other comprehensive income	(5,856)	4,771
- recognised directly in consolidated statement of profit or loss as dividend	11,275	17,884
	58,189	49,105
From financial liabilities at amortised cost:		
- Finance costs on due to banks, borrowings and bonds	(43,216)	(39,253)
- Finance costs on lease liabilities	(1,104)	(1,521)
	13,869	8,331
Net gain recognised in the consolidated statement of profit or loss	19,725	3,560
Net (loss)/gain recognised in the consolidated statement of profit or loss and other comprehensive income	(5,856)	4,771
	13,869	8,331

Notes to the consolidated financial statements (continued)

11 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. 2024	Year ended 31 Dec. 2023
Profit for the year attributable to the owners of the Parent Company (KD '000)	58,956	24,876
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	2,371,358,027	2,371,358,027
Basic and diluted earnings per share attributable to the owners of the Parent Company:	24.9 Fils	10.5 Fils

The basic and diluted earnings per share reported during the previous year was 11.0 Fils, before retroactive adjustments relating to bonus shares issue (note 28).

There were no potential dilutive shares.

12 Cash and cash equivalents

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Cash, bank balances and cash in managed portfolio	27,300	25,119
Short term deposits (a)	169,996	176,177
Cash and cash equivalents for the purpose of consolidated statement of financial position	197,296	201,296
Less: restricted bank balances	(5)	(6)
Less: term deposits maturing after three months	(14,636)	(18,626)
Due to banks (b)	(16,446)	(13,603)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	166,209	169,061

- The short-term deposits carry an effective interest rate ranging between 3% - 5.15% (2023: between 2.9% - 5.7%).
- Due to banks include bank overdraft facilities which carry commercial interest rates. The facilities are secured by pledge of short-term deposits of KD600 thousand (2023: KD678 thousand).
- Cash and cash equivalents amounting to KD1,000 thousand (2023: KD30 thousand) are pledged against borrowings (Note 21).

Notes to the consolidated financial statements (continued)

13 Accounts receivable and other assets

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Financial assets		
Trade receivables - net	70,549	68,125
Due from related parties – net (Note 30)	23,928	19,385
Accrued income	1,159	1,289
Other financial assets	14,206	9,412
	109,842	98,211
Non-financial assets		
Prepayments and other assets (a)	35,499	27,715
	35,499	27,715
	145,341	125,926

- a) This includes an advance payment of KD2,979 thousand towards purchase of investments by one of the Group's subsidiaries from a related party. The aggregate purchase consideration amounts to KD9,931 thousand, payable in three instalments. The agreement becomes binding if the relevant official authorities and other entities do not withhold the necessary approvals for the transfer of interest to the Group's subsidiary. As of the date of issuance of these consolidated financial statements, the parties are in the process to obtain the required approvals.

13.1 Trade receivables comprise of the following:

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Neither past due nor impaired	18,621	19,664
Past due but not impaired:		
90-270 days	14,154	18,095
More than 270 days	37,774	30,366
	70,549	68,125

An impairment analysis is performed at each reporting date using multiple provision matrices to measure expected credit losses on trade receivables across different subsidiaries and business segments. Each provision matrix is tailored to specific debtor groupings, considering their unique credit risk characteristics and historical loss patterns. The loss rates are based on days past due and are adjusted for past default experience within each entity, current and forward-looking macroeconomic factors and the overall financial health of the industries in which the respective debtors operate. The assessment incorporates both present conditions and the anticipated direction of economic and sector-specific trends at the reporting date. Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery.

Notes to the consolidated financial statements (continued)

14 Inventories

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Finished goods and work-in-progress	30,485	29,771
Raw materials and consumables	11,664	14,799
Spare parts and others	4,542	4,416
Goods in transit	1,258	786
	47,949	49,772
Provision for slow-moving inventories	(1,819)	(2,592)
	46,130	47,180

15 Financial assets at fair value through profit or loss

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Quoted securities	277,009	257,581
Unquoted securities	42,665	31,151
Managed portfolios and funds	100,597	97,107
	420,271	385,839

- a) Quoted securities and managed funds with an aggregate carrying value of KD119,357 thousand (2023: KD106,272 thousand) are pledged against borrowings (Note 21).
- b) The Group has signed agreements whereby certain financial assets at fair value through profit or loss with aggregate carrying value of KD133,674 thousand (2023: KD136,071 thousand) have been kept in custody portfolios against borrowings (Note 21).

16 Financial assets at fair value through other comprehensive income

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Quoted securities	32,176	34,729
Unquoted securities	97,945	99,649
Managed portfolios and funds	15,952	21,583
Debt securities	409	9,013
	146,482	164,974

- a) These investments are held for medium to long-term strategic objectives. Accordingly, management has chosen to identify these investments 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.

Notes to the consolidated financial statements (continued)

16 Financial assets at fair value through profit or loss (continued)

- b) During the year, the board of directors of the Parent Company in their meeting held on 13 October 2024 approved a non-binding offer submitted to Foulath Holding Co.- BSC (Bahrain) (“Foulath”) regarding the acquisition of 100% of the shares of the Foulath which is conditional upon the completion of due diligence after which a binding offer will be made with a final price. Currently, the Parent Company owns 10% shareholding in Foulath with a carrying value of KD60,241 thousand and is classified as financial assets at fair value through other comprehensive income in the Group’s consolidated financial statements.
- c) Quoted securities with an aggregate carrying value of KD17,767 thousand (2023: KD21,088 thousand) and unquoted securities with an aggregate carrying value of KD NIL (2023: KD591 thousand) are pledged against borrowings (Note 21).
- d) The Group has signed agreements whereby certain financial assets at fair value through other comprehensive income with aggregate carrying value of KD NIL (2023: KD2,568 thousand) have been kept in custody portfolios against borrowings (Note 21).

17 Investment properties

Investment properties are located as follows:

	31 Dec. 2024 KD’000	31 Dec. 2023 KD’000
Kuwait	62,299	49,361
Saudi Arabia, UAE, Jordan and Bahrain	6,051	7,577
United Kingdom	821	825
	69,171	57,763

Investments properties with a carrying value of KD35,301 thousand (2023: KD36,981 thousand) are pledged against borrowings (Note 21).

Details of fair valuation of investment properties are disclosed in Note 32.2.

18 Investment in associates

The details of the Group’s material associates are as follows:

Name of the associate	Place of incorporation and operation	Principal activity	Proportion of ownership interest held by the Group	
			31 Dec. 2024	31 Dec. 2023
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	35	35
Privatisation Holding Company – KPSC (Quoted)	Kuwait	Financial services	38	38
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	27	27
Mabane Company - KPSC - (Quoted) (a)	Kuwait	Real estate	18	18

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

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.1 The movement in investments in associates is as follows:

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Balance as at 1 January	376,071	354,380
Additions during the year	1,138	12,647
Reclassified to subsidiaries	-	(10,745)
Share of results	70,347	66,961
Redemption	-	(4,290)
Share of other comprehensive income	9,106	2,866
Dividend distributions	(22,086)	(17,458)
Impairment loss	(4,081)	(16,650)
Foreign currency translation adjustments	1,123	(11,774)
Other adjustments	174	134
Balance at the end of the year	431,792	376,071

- An investment in associate with a carrying value of KD NIL (2023: KD1,938 thousand) is pledged against borrowings (Note 21).
- The Group has signed agreements whereby certain shares of investment in associates with aggregate carrying value of KD291,916 thousand (2023: KD260,919 thousand) have been kept in custody portfolios with specialised institutions against borrowings (Note 21).
- Investments in associates with a carrying amount of KD403,186 thousand (2023: KD348,134 thousand) have a market value of KD412,849 thousand at 31 December 2024 (2023: KD335,926 thousand) based on published bid prices.

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

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

	Banking and investment		Real estate and industrial		Services		Total	
	2024 KD '000	2023 KD '000	2024 KD '000	2023 KD '000	2024 KD '000	2023 KD '000	2024 KD '000	2023 KD '000
Summarised statement of financial position – As at 31 December								
Total assets	4,433,530	3,413,413	2,772,254	2,379,407	551,671	466,954	7,757,455	6,259,774
Total liabilities	(4,105,331)	(3,136,992)	(1,038,152)	(855,211)	(448,965)	(365,893)	(5,592,448)	(4,358,096)
Equity	328,199	276,421	1,734,102	1,524,196	102,706	101,061	2,165,007	1,901,678
Group's share of net assets of the associates	118,055	100,783	313,952	278,135	9,629	6,459	441,636	385,377
Goodwill	2,515	2,374	25,389	25,389	2,026	2,026	29,930	29,789
Cumulative impairment	(6,964)	(6,964)	(27,849)	(23,853)	(3,611)	(3,526)	(38,424)	(34,343)
Cumulative intra Group transaction and others	(1,542)	(5,184)	87	300	105	132	(1,350)	(4,752)
Group's carrying value of the associates	112,064	91,009	311,579	279,971	8,149	5,091	431,792	376,071
Summarised statement of profit or loss - year ended 31 December								
Income	555,581	475,316	329,979	360,984	82,180	62,132	967,740	898,432
Profit	113,244	89,405	180,922	205,206	1,248	2,537	295,414	297,148
Total comprehensive income	125,448	102,284	194,459	199,805	1,449	2,455	321,356	304,544
Dividends received from the associate during the year	18,115	13,148	3,768	4,108	202	202	22,085	17,458
Group's share of associate's contingent liabilities and commitments	740,643	518,092	246,003	186,415	20,074	23,471	1,006,750	727,978

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.3 Impairment assessment of associates

As at 31 December 2024, the fair value of certain associates of the Group, based on quoted market prices, were below their carrying values.

Management assessed that the decline in the fair value of those associates signified indications of impairment under IAS 36 – Impairment of Assets. Consequently, management performed detailed impairment assessment for those associates to determine the recoverable amount as required by IAS 36 which is the higher of:

- Fair value less cost of disposal (FVLCD) – Based on the market capitalization approach, adjusted for transaction costs.
- Value-in-use (VIU) – Based on a discounted cash flow (DCF) model, considering the present value of expected future cash flows.

Recoverable amount

The Group recognised an impairment loss of KD4,081 thousand for certain associates based on the recoverable amount determined based on VIU.

Value-in-Use (VIU)

The Group performed value-in-use calculation based on DCF model which included the following key assumptions:

	Range of unobservable inputs
Growth rate	3%
Weighted average cost of capital	7.25%
Cash flow projections	five-year forecast

Notes to the consolidated financial statements (continued)

19 Property, plant and equipment

Year ended 31 December 2024

	Freehold land KD '000	Leasehold properties and buildings KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation								
At 1 January 2024	2,209	64,387	182,815	16,482	13,806	2,975	7,601	290,275
Foreign exchange and other adjustments	6	510	(600)	(7)	(38)	(49)	14	(164)
Additions/transfers	-	1202	10,287	228	513	-	(2,918)	9,312
Disposals	-	-	(151)	(64)	(2,069)	-	-	(2,284)
At 31 December 2024	2,215	66,099	192,351	16,639	12,212	2,926	4,697	297,139
Accumulated depreciation and impairment losses								
At 1 January 2024	-	39,363	106,125	14,160	11,996	2,571	-	174,215
Foreign exchange and other adjustments	-	119	30	1	12	25	-	187
Charge for the year	-	1,393	6,337	504	535	145	-	8,914
Relating to disposals	-	-	(146)	(64)	(2,069)	-	-	(2,279)
At 31 December 2024	-	40,875	112,346	14,601	10,474	2,741	-	181,037
Net book value								
At 31 December 2024	2,215	25,224	80,005	2,038	1,738	185	4,697	116,102

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

b) Properties under construction mainly represent the cost incurred up to 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.

c) Property plant and equipment with an aggregate carrying value of KD8,054 thousand (2023: KD6,345 thousand) are pledged against borrowings (Note 21).

Notes to the consolidated financial statements (continued)

19 Property, plant and equipment (continued)

Year ended 31 December 2023

	Freehold land KD '000	Leasehold properties and buildings KD '000	Plant and machinery KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation								
At 1 January 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 subsidiaries	-	4,031	46,550	-	384	-	103	51,068
Disposals	-	(2)	(427)	(706)	(26)	-	-	(1,161)
At 31 December 2023	2,209	64,387	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 subsidiaries	-	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	2,209	25,024	76,690	2,322	1,810	404	7,601	116,060

Notes to the consolidated financial statements (continued)

20 Accounts payable and other liabilities

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Financial liabilities		
Trade payables	27,074	33,393
Accrued interest and other expenses	23,315	24,247
Due to related parties (Note 30)	1,488	1,643
Provision for a legal case	-	2,700
Provisions for taxation	13,492	10,879
Other financial liabilities	26,887	27,912
KFAS payable	31	1,851
	92,287	102,625
Non-financial liabilities		
Other liabilities	1,632	268
	1,632	268
	93,919	102,893

21 Borrowings

	Effective interest rate	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Short term:			
Term loans	3.7% – 7.89%	193,170	187,989
Islamic financing	5% – 6.5%	83,220	56,193
		276,390	244,182
Long term:			
Term loans	2.1% - 10.12%		
- Current portion		22,022	5,269
- Due after more than one year		113,898	142,337
Islamic financing	1.63% - 10.25%		
- Current portion		39,999	31,564
- Due after more than one year		212,462	211,411
		388,381	390,581
		664,771	634,763

The Group's borrowings are denominated in the following currencies:

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Kuwait Dinar	585,779	555,612
United States Dollar	58,560	57,824
Other currencies	20,432	21,327
At 31 December	664,771	634,763

- a) The Group's borrowings are secured against assets pledged or held in custody including cash and cash equivalents (Note 12), financial assets at fair value through profit and loss (Note 15), financial assets at fair value through other comprehensive income (Note 16), investment properties (Note 17), property plant and equipment (Note 19), investment in subsidiaries (Note 6) and shares of certain investment in associates (Note 18).

Notes to the consolidated financial statements (continued)

22 Bonds

The details of the bonds, which are unsecured, are as follows:

	Effective interest rate	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Short term- maturing on 11 February 2025:			
Floating rate bonds	CBK + 2.75%	7,600	-
Fixed rate bonds	5.5%	22,400	-
		30,000	-
Long term- maturing on 8 September 2027:			
Floating rate bonds	CBK + 2.25%	34,450	42,050
Fixed rate bonds	5.25%	3,650	26,050
		38,100	68,100
		68,100	68,100

23 Provisions

	31 Dec. 2024 KD'000	31 Dec. 2023 KD '000
Provision for staff end of service benefits and pension, net	17,300	16,078
Provision for land-fill expenses	556	552
	17,856	16,630

24 Share capital and share premium

	Authorised	Issued	Paid up
31 December 2024 (Shares)	3,000,000,000	2,409,942,649	2,409,942,649
31 December 2024 (KD '000)	300,000	240,994	240,994
31 December 2023 (Shares)	3,000,000,000	2,295,183,476	2,295,183,476
31 December 2023 (KD '000)	300,000	229,518	229,518

- a) During the year, the Parent Company's share capital was increased by KD11,476 thousands as a result of issuance of bonus shares (Note 28). The share capital increase was registered in the commercial register on 19 May 2024.
- b) Share premium is not available for distribution.

25 Treasury shares

	31 Dec. 2024	31 Dec. 2023
Number of shares	38,584,622	36,747,261
Percentage of issued shares	1.60%	1.60%
Market value (KD '000)	9,569	7,460
Cost (KD'000)	23,975	23,975

Notes to the consolidated financial statements (continued)

25 Treasury shares (continued)

- a) Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.
- b) Treasury shares owned by one of the Group's subsidiaries with a market value of KD NIL (2023: KD4,697 thousand) have been pledged against certain borrowings (Note 21).
- c) As at 31 December 2024, an associate held 10% (2023:10%) of the Parent Company's shares.

26 Statutory and general reserves

The movement in the reserves is as follows:

	Statutory reserve KD'000	General reserve KD'000	Total KD '000
Balances as at 1 January 2024	33,124	19,555	52,679
Transferred from retained earnings	5,959	5,959	11,918
Balances as at 31 December 2024	39,083	25,514	64,597
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

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.

Notes to the consolidated financial statements (continued)

27 Other components of equity

	Cumulative changes in fair value KD '000	Treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances as at 1 January 2024	7,675	15,915	(28,435)	(4,845)
Consolidation and other adjustments	237	-	-	237
Share of other comprehensive income of associates	7,070	-	-	7,070
Change in fair value of financial assets at FVTOCI	(6,042)	-	-	(6,042)
Foreign currency translation differences	-	-	1,880	1,880
Other comprehensive income	1,028	-	1,880	2,908
Gain on sale of investments at FVTOCI	(25)	-	-	(25)
Balances as at 31 December 2024	8,915	15,915	(26,555)	(1,725)
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
Foreign 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)

28 Annual general assembly, dividends and directors' remuneration

The board of directors of the Parent Company proposed to distribute cash dividend of 10% equivalent to 10 Fils per share, and to issue 5% bonus shares which represent 120,497,132 shares of 100 Fils each amounting to KD12,050 thousand, and an amount of KD630 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2024.

The Annual General Assembly of the shareholders of the Parent Company held on 9 May 2024 approved the consolidated financial statements for the year ended 31 December 2023 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 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.

29 Segmental reporting

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.

29 Segmental reporting (continued)

[illegible]

Notes to the consolidated financial statements (continued)

29 Segmental reporting (continued)

Geographical segments

The geographical analysis is as follows:

	Assets		Revenue	
	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
Kuwait	1,019,200	922,834	84,967	77,842
Outside Kuwait	580,015	578,440	91,000	72,225
	1,599,215	1,501,274	175,967	150,067

30 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. 2024 KD '000	31 Dec. 2023 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	19,900	17,798
- Due from other related parties	4,028	1,587
Due to related parties (included in accounts payable and other liabilities)		
- Due to associates	20	20
- Due to other related parties	1,468	1,623
	Year ended 31 Dec. 2024 KD '000	Year ended 31 Dec. 2023 KD '000
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials –associates	677	750
Fees income	3	-
Management fees payments	71	1,042
Impairment of investment in associates	4,081	16,650
Provision charge/(reversal) of impairment of accounts receivable and other assets	174	(810)
Compensation of key management personnel of the Group		
Short term employee benefits	3,765	4,360
Board of Directors' and committee remuneration including subsidiaries	1,200	1,217
Pension and end of service benefits	163	256
	5,128	5,833

31 Summary of financial assets and liabilities by category

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:

Notes to the consolidated financial statements (continued)

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

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Financial assets:		
At amortised cost:		
• Cash and cash equivalents (Note 12)	197,296	201,296
• Accounts receivable and other financial assets (Note 13)	109,842	98,211
• Financial assets at amortised cost	10,904	5,197
	318,042	304,704
At fair value:		
• Financial assets at FVTPL	420,271	385,839
• Financial assets at FVTOCI	146,482	164,974
	566,753	550,813
Total financial assets	884,795	855,517
Financial liabilities:		
At amortised cost:		
• Due to banks	16,446	13,603
• Accounts payable and other financial liabilities (Note 20)	92,287	102,625
• Borrowings	664,771	634,763
• Bonds	68,100	68,100
	841,604	819,091

32 Fair value measurement

32.1 Fair value measurement of financial instruments

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

- Level 1: 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 or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

31 December 2024	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets:				
- Quoted securities	309,185	-	-	309,185
- Unquoted securities	-	23,118	117,492	140,610
- Managed portfolios and funds	628	4,418	111,503	116,549
- Debt securities	-	409	-	409
	309,813	27,945	228,995	566,753
At FVTPL	277,637	10,554	132,080	420,271
At FVTOCI	32,176	17,391	96,915	146,482
	309,813	27,945	228,995	566,753

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.1 Fair value measurement of financial instruments (continued)

31 December 2023	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets:				
- Quoted securities	292,310	-	-	292,310
- Unquoted securities	-	16,218	114,582	130,800
- Managed portfolios and funds	703	6,057	111,930	118,690
- Debt securities	-	9,013	-	9,013
	293,013	31,288	226,512	550,813
At FVTPL	258,284	5,999	121,556	385,839
At FVTOCI	34,729	25,289	104,956	164,974
	293,013	31,288	226,512	550,813

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2024 or 2023.

Measurement of fair value of financial instruments

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 following valuation techniques are used for instruments categorised in levels 2 and 3:

Unquoted securities

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.

Managed portfolios and funds

Private equity funds

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

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.

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.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.1 Fair value measurement of financial instruments (continued)

Level 3 Fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	31 Dec. 2024 KD'000	31 Dec. 2023 KD'000
Opening balance	226,512	228,603
Net change in fair value	7,149	3,700
Transferred out level 3	(870)	(5,675)
Net addition/disposal during the year	(3,796)	(116)
Closing balance	228,995	226,512

32.2 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 2024 and 2023.

The movement in investment properties is as follows:

	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Balance as at 1 January	57,763	56,907
Additions	23,844	-
Disposals	(11,812)	-
Changes in fair value	(630)	807
Foreign currency translation	6	49
	69,171	57,763

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. 2024	31 Dec. 2023
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, Jordan and Bahrain	Market comparison approach	Market comparison approach

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

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

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 2024 and 31 December 2023 were:

	Land and buildings in Kuwait, UAE, Saudi Arabia and UK	
	31 Dec. 2024	31 Dec. 2023
Average monthly rent (per sqm)	KD 1.09 to KD 113	KD 1.01 to KD 113
Yield rate	6.3% to 7.4%	6.6% to 7.5%
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 (market yields). 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.

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.

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 Group does not use derivative financial instruments.

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

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

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 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 US dollar. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

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

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

	31 Dec. 2024 <i>Equivalent</i> KD '000	31 Dec. 2023 <i>Equivalent</i> KD '000
US Dollars	(28,686)	(24,742)

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	
	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
US Dollars	(1,434)	(1,237)
	(1,434)	(1,237)

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.

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its short-term deposits (Note 12), borrowings (Note 21), bonds (Note 22) and due to banks (Note 12) which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

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

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

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Effect on profit for the year	(1,380)	(1,287)	4,140	3,861

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 for the year		Other comprehensive income for the year	
	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000	31 Dec. 2024 KD '000	31 Dec. 2023 KD '000
Financial assets at FVTPL	27,612	25,758	-	-
Financial assets at FVTOCI	-	-	3,218	3,473
	27,612	25,758	3,218	3,473

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.

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

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. 2024 KD '000	31 Dec. 2023 KD '000
Cash and cash equivalents (Note 12)	197,296	201,296
Accounts receivable and other assets (Note 13)	109,842	98,211
	307,138	299,507

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.

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:

	Kuwait KD '000	Middle East KD '000	Asia and Africa KD '000	Europe KD '000	USA KD '000	Total KD '000
At 31 December 2024						
Cash and cash equivalents	182,460	6,343	47	8,432	14	197,296
Accounts receivable and other assets	86,094	13,798	2,181	7,343	426	109,842
Financial assets at amortised cost	7,500	3,404	-	-	-	10,904
Financial assets at FVTPL	236,865	50,257	7,368	94,121	31,660	420,271
Financial assets at FVTOCI	24,038	91,471	21,491	5,080	4,402	146,482
	536,957	165,273	31,087	114,976	36,502	884,795
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

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

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, 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.

Maturity profile of assets and liabilities are as follows:

	At 31 December 2024			At 31 December 2023		
	1 year KD '000	Over 1 year KD '000	Total KD '000	1 year KD '000	Over 1 year KD '000	Total KD '000
ASSETS						
Cash and cash equivalents	197,296	-	197,296	201,296	-	201,296
Accounts receivable and other assets	139,059	6,282	145,341	117,889	8,037	125,926
Inventories	46,130	-	46,130	47,180	-	47,180
Financial asset at amortised cost	3,404	7,500	10,904	1,697	3,500	5,197
Financial assets at FVTPL	96,903	323,368	420,271	79,255	306,584	385,839
Financial assets at FVTOCI	19,960	126,522	146,482	19,633	145,341	164,974
Investment properties	-	69,171	69,171	-	57,763	57,763
Investment in associates	-	431,792	431,792	-	376,071	376,071
Property, plant and equipment	-	116,102	116,102	-	116,060	116,060
Intangible assets	-	9,623	9,623	-	10,870	10,870
Goodwill	-	6,103	6,103	-	10,098	10,098
	502,752	1,096,463	1,599,215	466,950	1,034,324	1,501,274
LIABILITIES						
Due to banks	16,446	-	16,446	13,603	-	13,603
Accounts payable and other liabilities	90,530	3,389	93,919	99,218	3,675	102,893
Borrowings	338,411	326,360	664,771	281,015	353,748	634,763
Bonds	30,000	38,100	68,100	-	68,100	68,100
Provisions	-	17,856	17,856	-	16,630	16,630
	475,387	385,705	861,092	393,836	442,153	835,989

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

	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	Over 1 Year KD '000	Total KD '000
31 December 2024					
Financial liabilities (undiscounted)					
Due to banks	12,515	2,202	1,495	234	16,446
Accounts payable and other liabilities	23,896	18,918	44,499	5,295	92,608
Borrowings	66,334	89,225	154,718	439,260	749,537
Bonds	340	30,418	1,702	41,912	74,372
	103,085	140,763	202,414	486,701	932,963

Notes to the consolidated financial statements (continued)

33 Risk management objectives and policies (continued)

33.4 Liquidity risk (continued)

31 December 2023	Up to 1 month KD '000	1-3 months KD '000	3-12 months KD '000	Over 1 Year KD '000	Total KD '000
Financial liabilities (undiscounted)					
Due to banks	11,615	264	1,490	234	13,603
Accounts payable and other liabilities	33,860	20,017	44,283	4,770	102,930
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

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. 2024 KD '000	31 Dec. 2023 KD '000
Borrowings	664,771	634,763
Bonds	68,100	68,100
Due to banks	16,446	13,603
	749,317	716,466
Less:		
Cash and cash equivalents	(197,296)	(201,296)
Net debt	552,021	515,170
Total equity	738,123	665,285

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. 2024 %	31 Dec. 2023 %
Net debt to equity ratio	75%	77%

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 2024 amounted to KD1,945 thousand (2023: KD2,938 thousand) of which assets managed on behalf of the related parties amounted to KD1,906 thousand (2023: KD2,900 thousand).

Notes to the consolidated financial statements (continued)

36 Contingent liabilities

36.1 Contingent liabilities

At 31 December 2024, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD57,963 thousand (2023: KD72,722 thousand).

36.2 Legal cases

The significant legal cases of the Group are summarised below:

- a) One of the Group's subsidiaries has filed legal cases against one of its customers regarding gross trade receivables of KD109,261 thousand. These receivables are recorded in the Group's consolidated financials at their acquisition fair value of KD34,614 thousand, with a carrying value of KD50,397 thousand.

During prior period, the court of First Instance ruled in favor of the subsidiary in one of the cases; however, the ruling has been appealed. However, the subsidiary's management, in consultation with its legal advisors, remains confident that a favourable verdict is probable, and that the full balance, along with additional compensation, will be recovered.

The litigations are at its initial stages and the final outcome cannot be determined at present.

- b) During the previous year, the General Manager of the Public Authority for Industry in Kuwait, in his official capacity, initiated legal proceedings against one of the Group's subsidiaries, seeking eviction from a non-contracted plot of land. The claim also demands a payment of KD20,038 thousand for the subsidiary usage of the land since 1 April 2007, along with any associated fees and expenses.

The case is in its early stages and has been referred to the Experts Committee for further review. The next court hearing is scheduled for 17 April 2025.

After consulting with an external legal counsel, the subsidiary's management believes that it is not liable for any financial obligations related to the land, as no contractual agreements exist between the subsidiary and the government entity. The subsidiary's management intend to strongly defend its position and, based on their consultation with their external legal counsel, remains confident that the claim can be successfully contested.

Certain details required in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, are not disclosed to prevent any potential prejudice to the litigation's outcome.

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 KD14,532 thousand (2023: KD19,915 thousand).

38 Events after the reporting date

On 11 February 2025, floating rate bonds with a carrying value of KD7,600 thousand and fixed rate bonds with a carrying value of KD22,400 thousand matured. This event does not require an adjustment to the financial statements as of 31 December 2024.

No adjusting events have occurred between the 31 December reporting date and the date of authorisation.

Notes to the consolidated financial statements (continued)

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.

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