



شركة الصناعات الوطنية

NATIONAL INDUSTRIES COMPANY

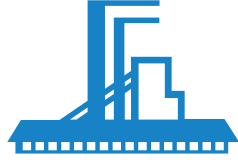
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Annual Report

2025



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NATIONAL INDUSTRIES COMPANY

Annual Report

2025

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H.H. SHEIKH MESHAL AL-AHMAD AL-JABER AL-SABAH
Amir of the State of Kuwait



H.H. SHEIKH SABAH KHALED AL-HAMAD AL-SABAH
Crown Prince the State of Kuwait

Sandlime Decor Stone

Architecture
in Luxury

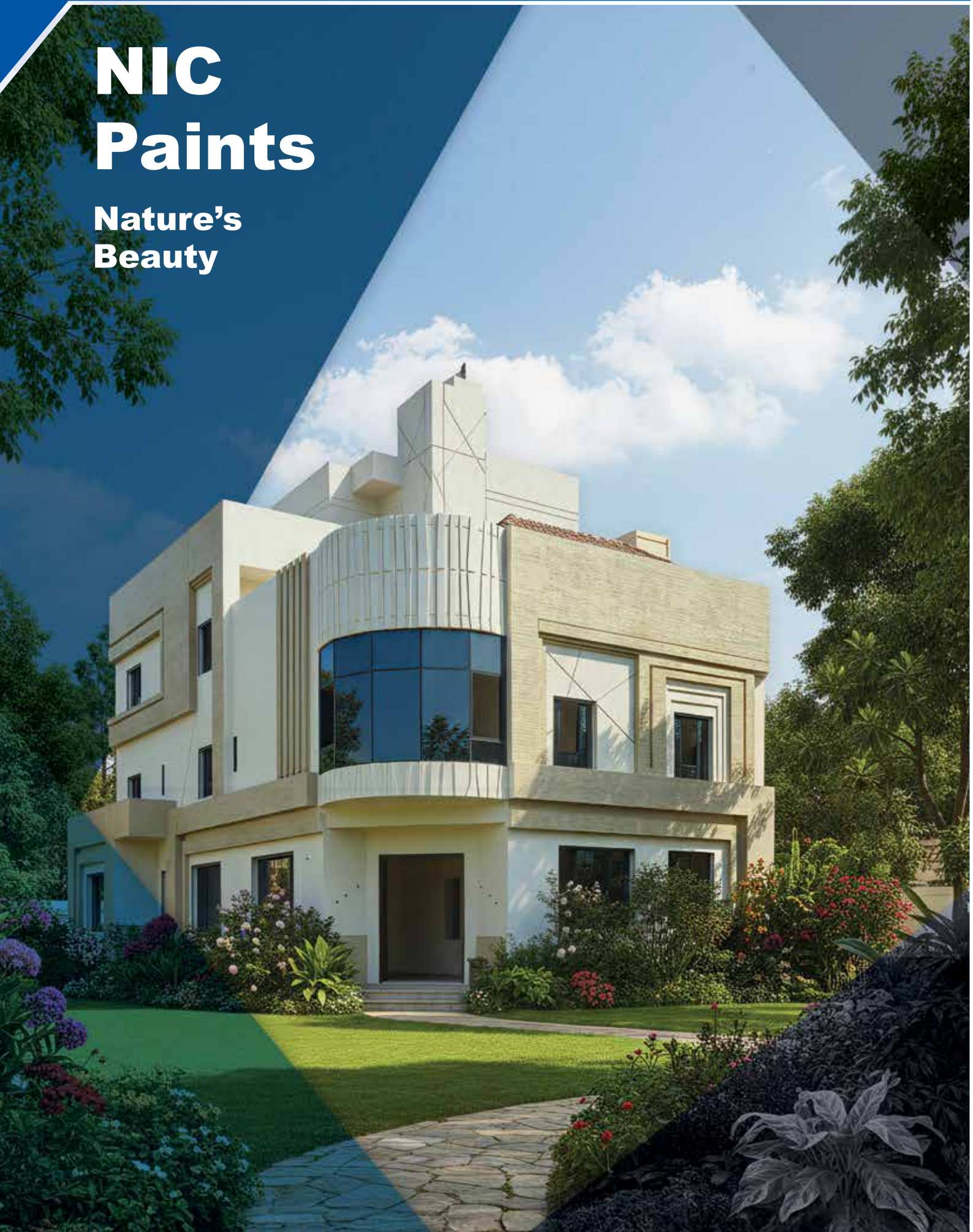


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NIC Paints

**Nature's
Beauty**

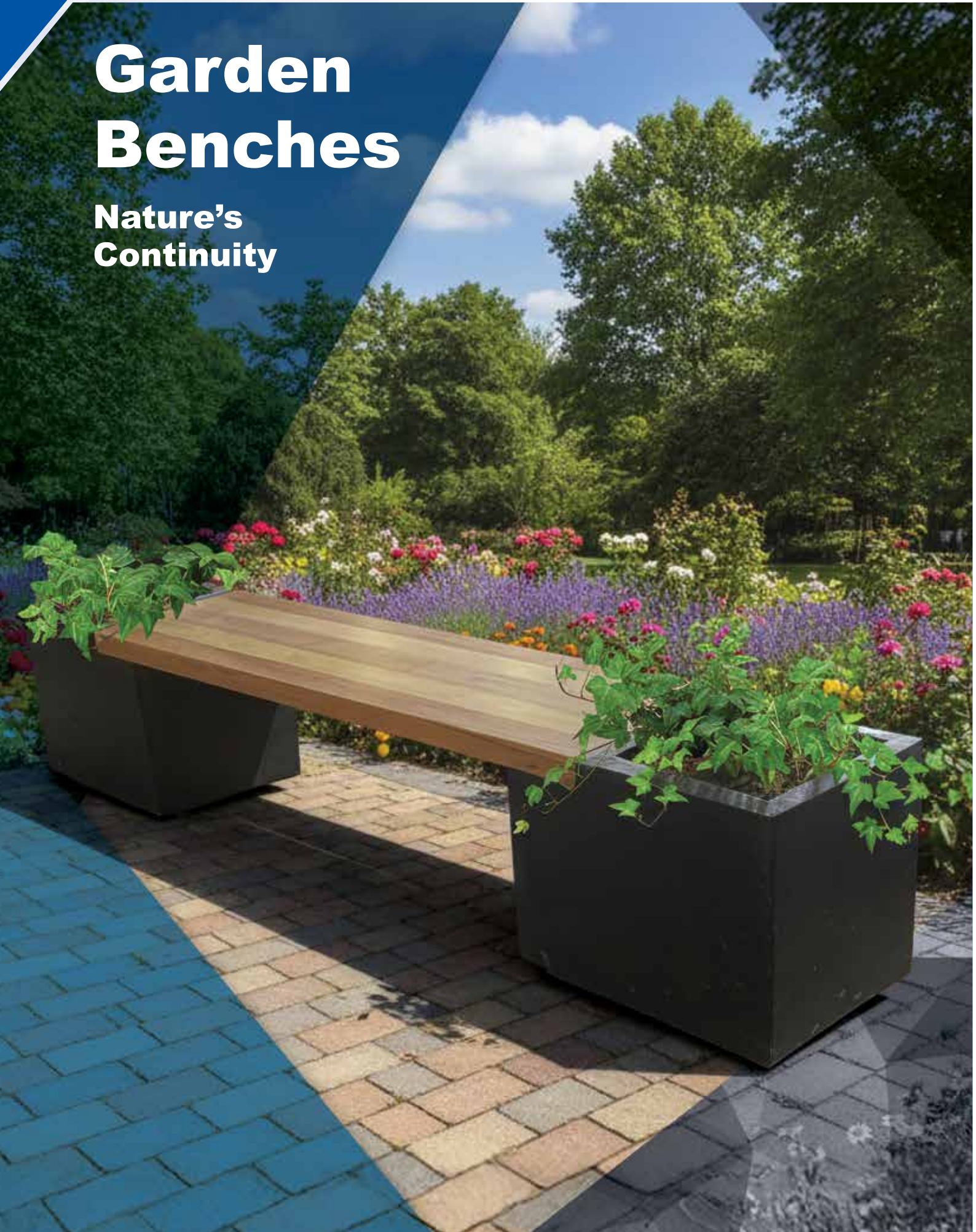


MEMBERS OF THE BOARD OF DIRECTORS

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

Garden Benches

Nature's
Continuity



CHAIRMAN'S MESSAGE

Dear shareholders,

On behalf of the Board of Directors, I am pleased to welcome you to the Annual General Meeting of National Industries Company K.P.S.C., and to present the Company's Annual Report and financial results for the year ended 31 December 2025.

During the year, the Company continued to reinforce its leading position in the building materials sector, leveraging its specialized manufacturing expertise and advanced operational capabilities. This has enabled us to further strengthen our market presence in Kuwait while maintaining a strong focus on product quality and competitiveness, thereby reinforcing the confidence of our customers and business partners.

The financial year 2025 was marked by fluctuations in the local and regional business environment, particularly with regard to raw material prices and the volume of construction projects. Despite these challenges, and in line with our ongoing commitment to sustainable growth and value creation for our shareholders, the Company successfully navigated these conditions through the diversity and quality of its product portfolio, achieving its strategic objectives.

During 2025, the State of Kuwait also witnessed renewed momentum in major government projects, particularly in the infrastructure sector, creating promising opportunities for industrial companies. National Industries Company actively pursued these opportunities by strengthening its production capacity and expanding its operational capabilities in order to meet the growing demand for high-quality building materials, while supporting the execution of major construction projects across the country.

We remain committed to investing in innovation, enhancing operational efficiency, and maintaining a balanced approach between financial growth and social responsibility. We will also continue to pursue sustainable profitability and expand our presence in regional markets in order to deliver long-term value to our shareholders and stakeholders.

The Company's revenues from sales and customer contracts increased during the year to K.D. 54.37 million, compared to K.D. 51.42 million in 2024. The Company recorded a net profit of K.D. 4.1 million for the year ended 31 December 2025.

Based on these results, the Board of Directors, at its meeting held on Monday, 16 February 2026, resolved to recommend to the General Assembly the distribution of cash dividends of 10%, equivalent to 10 fils per share, for the financial year ended 31 December 2025.

In closing, I would like to express my sincere appreciation to our valued shareholders for their continued trust and confidence in the Company. I would also like to extend my gratitude to the Company's management and employees across all departments for their dedication and efforts in supporting the Company's growth and enhancing its performance.

God grants success,,



Abdulaziz Ibrahim Al-Rabiah
Chairman

Interlock Tiles

Endless
Creativity



BOARD OF DIRECTORS REPORT 2025

National Industries Company K.P.S.C. recorded a net profit of K.D. 3.60 million during 2025, representing a decrease of 41% compared to K.D. 6.06 million in 2024. This decline was mainly attributable to lower profits in several factories (lime bricks, mortar, paints, ready-mix, and pipes), as well as reduced profitability of certain subsidiaries (ceramics and building systems). It is worth noting that in 2024 the Company recognized a reversal of provisions in income amounting to K.D. 2,133,342 following a final court ruling.

Total revenues increased by 6% to K.D. 54.4 million in 2025 compared to K.D. 51.4 million in 2024, driven primarily by higher sales from lime-based factories (lightweight blocks, plastics, polyethylene, and quarry operations). In contrast, cement-based factories (ready-mix and concrete pipes) reported a decline year-on-year.

Revenues from subsidiaries such as Ascom Middle East and Building Systems also improved.

Investment income decreased by 10% to K.D. 2.27 million in 2025, compared to K.D. 2.52 million in 2024, mainly due to the lower valuation of real estate investments.

Shareholders' equity amounted to K.D. 91.58 million in 2025, with a book value of 261 fils per share, compared to K.D. 93.03 million and 265 fils per share in 2024.

I. SALES

Total sales of the parent company's factories reached K.D. 34.57 million in 2025, compared to K.D. 34.05 million in 2024, representing an increase of 2%.

Product Category	Sales 2025 (K.D)	Sales 2024 (K.D)	sales ratio of 2025 compared to 2024	
Cement Products (Interlock tiles, concrete pipes, ready-mix)	13,353,556	14,304,462	(7%)	↓
Lime Products (lime, lime bricks, lightweight blocks)	15,663,094	15,665,668	(0%)	↓
Paints	349,681	508,973	(31%)	↓
Plastics & Polyethylene	4,327,963	2,952,356	47%	↑
Transportation	601,935	523,620	15%	↑
Trading Materials	274,380	93,442	194%	↑
Total	34,570,609	34,048,521	2%	↑

II. KEY ACHIEVEMENTS & COMPLETED PROJECTS – 2025

A. SALES, MARKETING & READY PRODUCTS

- Launch of the Company's e-commerce sales platform and expansion of social media presence.
- Training hotline staff on internal chatbot systems and customer handling.
- Expansion of distributor network across Kuwait and entry into the Syrian market.
- Increase in logistics fleet and storage capacity.
- Development of more accurate annual inventory reports in cooperation with IT.
- Supply of strategic projects in Kuwait with ready-mix, plastics, interlock tiles, stone, pipes, and AAC blocks.
- Technical services prepared and supervised company exhibitions and projects.

B. MANUFACTURING SECTOR

- Approval of paint products by the Ministry of Public Works and concrete mix approvals for oil sector contractors.
- Operation of the chemicals plant for ready-mix additives.
- Commissioning of a new interlock tile production line with a capacity of 160 m²/hour, increasing output by 40%.
- Installation of lubrication systems in the lightweight block plant, reducing oil consumption.
- Development of new concrete and interlock mix designs.
- Implementation of an automated procurement system linked to inventory.
- Installation of backup generators for administrative buildings.
- Environmental licensing approval from the Public Authority for Environment.

C. FINANCE & SUPPORT SERVICES

FINANCE DEPARTMENT

- Automation of accounting processes.
- Credit risk assessment model (ECL) for project clients.
- Optimization of real estate assets and subsidiary performance.
- Portfolio performance reviews and exit from underperforming investments.

IT, HR, ADMINISTRATION & LEGAL

- Digital transformation and infrastructure integration.
- Talent development and second-line leadership building.
- Remote and in-person training.
- Cybersecurity audits and protection measures.
- Legal case management and development of legal policy manuals.

SOCIAL RESPONSIBILITY – 2025

- Umrah trip for employees.
- Iftar and Suhoor for factory workers.
- Annual sports tournament.
- Training opportunities for students.
- Donation of company products to government entities.

III. INVESTMENTS

Type	Value	
	2025 (K.D.)	2024 (K.D.)
Listed Shares	10,982,054	9,122,481
Unlisted Shares	16,789,256	19,378,486
Portfolios & Funds	3,708,116	3,107,279
Total	31,479,426	31,608,245

IV. SUBSIDIARIES & ASSOCIATES

A. BINAÁ AL-KUWAIT REAL ESTATE (SUBSIDIARY)



شركة بناء الكويت ذ.م.ك.
لبيع وشراء الأراضي والعقارات

- The company was established in 2019 with a 100% ownership stake.
- The company operates in the real estate sector, including property ownership, management, and land and real estate development.
- In 2025, the company achieved profits of K.D. 285,148 compared to profits of K.D. 847,616 in 2024, due to a decline in real estate valuation compared to 2024.

B. INDUSTRIES FOR BUILDING SYSTEMS COMPANY (SUBSIDIARY)

icbs.

الصناعات
لأنظمة البناء
INDUSTRIES CO. FOR
BUILDING SYSTEMS

- Established in 2004 with a 100% ownership stake.
- The company serves as the executive arm for construction projects.
- The company's financial results for 2025 showed losses amounting to (K.D. 312,052) compared to profits of K.D. 6,073 in 2024. A restructuring process is currently underway to qualify the company for new projects.

C. NATIONAL INDUSTRIES CERAMIC COMPANY (SUBSIDIARY)

سيراميك الصناعات
NATIONAL INDUSTRIES CERAMICS

- Established in 2006 with an ownership stake of 86.427%.
- The company recorded losses of (K.D. 469,243) in 2025 compared to losses of (K.D. 904,863) in 2024.
- The company secured major projects in 2025.
- The company's products have been approved by all state ministries and the Public Authority for Housing Welfare.

D. SCOMI OIL TOOLS GULF COMPANY (SUBSIDIARY)



- Established in 2019 with an ownership stake of 65%.
- The company operates in the supply of oil well drilling materials and the provision of all production operations and oil and gas well services and facilities.
- The company achieved profits of K.D. 9,026 in 2025 compared to profits of K.D. 924,415 in 2024. Its operations have been transferred to Scomi Oil Tools Middle East Company (Subsidiary).

E. SCOMI OIL TOOLS MIDDLE EAST COMPANY (SUBSIDIARY)



- Established in 2022 with an ownership stake of 65%.
- The company operates in the supply of oil well drilling materials and the provision of all production operations and oil and gas well services and facilities.
- The company has established a strong reputation in the oil sector, leading to the extension of certain contracts and its approval in several projects. The company is looking forward to securing new tenders in the oil services sector in 2026 and has taken over the contracts of Scomi Oil Tools Gulf in addition to new contracts.
- The company achieved profits of K.D. 1,643,728 in 2025.

F. UNITED GULF INDUSTRIES PIPES COMPANY (ASSOCIATE)



صناعات الخليج المتحدة للأنابيب ش.م.م
UNITED GULF PIPE MANUFACTURING CO. LLC

- Established in 2009 with a 45% ownership stake – Muscat, Sultanate of Oman.
- According to its financial statements as of 31/12/2024, the company has fully lost its capital and is currently undergoing restructuring.
- The company’s products have been approved in Saudi Arabia, and contracts have been signed with several entities for the supply of these products.

In conclusion, we extend our sincere thanks and appreciation to our valued shareholders and pray to Almighty Allah for success in achieving better results in 2026.

CORPORATE GOVERNANCE REPORT 2025

Based on the Board of Directors' belief in the importance of embedding the principles of sound corporate governance as a fundamental pillar for achieving sustainability and maximizing shareholder value, the Board is firmly committed to applying the best practices of corporate governance in accordance with the Executive Regulations of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activities and its amendments, as well as all related resolutions and instructions issued thereunder.

The Board of Directors is keen to ensure fairness and equality among all stakeholders, including shareholders and related parties, without discrimination, while reinforcing the principles of transparency and disclosure, and ensuring the timely availability of material and accurate information through appropriate channels that enable stakeholders to make well-informed decisions. This is in line with the disclosure requirements adopted by the Capital Markets Authority and Bursa Kuwait.

The Board also affirms its commitment to upholding the company's values of social responsibility, considering economic, social, and environmental dimensions in its activities and decisions, prioritizing the company's interests over any personal interests, and performing its duties with good faith, integrity, honor, and dedication to ensure the company's long-term sustainability.

In this context, the Board has adopted the Company's Governance Manual, which clearly defines the regulatory frameworks, authorities, and mechanisms of oversight and accountability. The manual is reviewed and updated periodically to reflect legal and regulatory developments, demonstrating the company's continuous commitment to implementing best corporate practices.

PRINCIPLE ONE

ESTABLISHING A BALANCED BOARD STRUCTURE

• Board Structure

The Board of Directors was elected during the General Assembly held on 26/3/2025 and consists of 5 members:

Name	Position	Academic Qualification	Election Date
Mr. Abdulaziz Ibrahim Al-Rabiah	Chairman (Non-Executive)	University Degree	26/3/2025
Mr. Hamad Mohammed Al-Saad	Vice Chairman & CEO (Executive)	University Degree	26/3/2025
Dr. Adel Khaled Al-Subeih	Board Member (Non-Executive)	PhD	26/3/2025
Mr. Ahmad Mohammad Hassan	Board Member (Non-Executive)	University Degree	26/3/2025
Mr. Abdulrahman Shaikhan Al-Farisi	Independent Board Member	University Degree	26/3/2025
Mr. Hani Mohammed Al-Sherbini	Board Secretary	University Degree	26/3/2025

• Board of Directors' Meetings During the Year Ended 31 December 2025

The Board of Directors held six (6) meetings during the financial year ended 31 December 2025, as detailed below:

Meeting 1 dated 6/2/2025	Meeting 2 dated 26/3/2025	Meeting 3 dated 4/5/2025	Meeting 4 dated 25/5/2025	Meeting 5 dated 24/7/2025	Meeting 6 dated 6/11/2025	Number of meetings held
1. Mr. Abdulaziz Ibrahim Al-Rabiah (Chairman)						
✓	✓	✓	✓	✓	✓	6
2. Mr. Hamad Mohammed Al-Saad (Deputy Chairman)						
✓	✓	✓	✓	✓	✓	6
3. Dr. Adel Khaled Al Subeih (Member)						
✓	✓	✓	✓	✓	✓	6
4. Mr. Ahmad Mohammad Hassan (Member)						
✓	✓	✓	✓	✓	✓	6
5. Mr. Abdulrahman Shaikhan Al-Farisi (Independent Member)						
✓	✓	✓	✓	✓	✓	6

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

- Recording, Documentation and Safekeeping of Board of Directors' Minutes
- Pursuant to Board Resolution No. (2) of 2025, Mr. Hany Mohammed El Sherbini was appointed as Secretary to the Board from among the Company's employees.
- The Board Secretary is responsible for recording and documenting the proceedings of Board meetings and preparing the related minutes, which include details of discussions and deliberations, as well as documenting the resolutions passed and voting outcomes. The minutes are maintained in a dedicated and systematically organized register in two formats: hard copy and electronically archived.
- All minutes are maintained in chronological order, clearly indicating the date and venue of each meeting, and are duly signed by the Board Secretary and all members present.

The Independent Board Member



- Mr. Abdulrahman Shaikhan Al-Farisi is an Independent Member of the Board of Directors and satisfies the independence criteria stipulated under the Corporate Governance Rules.
- Mr. Abdulrahman Shaikhan Al-Farisi hereby confirms that he maintains the requisite independence that supports the Board of Directors in making sound decisions which serve the best interests of the Company. He further affirms his ability to effectively perform his duties and to express his views and vote on Board resolutions with objectivity and impartiality.

PRINCIPLE TWO

PROPER DEFINITION OF ROLES AND RESPONSIBILITIES

The Board of Directors plays a central role in balancing shareholders' interests and overseeing Executive Management's performance. It guides the Company in achieving its strategic objectives by supervising the execution of Executive Management's daily responsibilities and ensuring that its decisions and actions consistently align with shareholders' best interests.

The Company has clearly defined the roles and authorities of both the Board and Executive Management through the adoption of the Board Charter and the charters of its Committees, in addition to the Executive Management Charter and the approved financial and administrative authorities.

Board of Directors' Key Achievements During 2025

- During the financial year ended 31 December 2025, the Board of Directors convened six (6) meetings, in addition to passing certain resolutions by circulation. During these meetings, the following key matters were addressed:
- Establishing the Company's strategic plan and interim objectives, and overseeing their implementation and follow-up.
- Reviewing and approving the Company's annual budget, as well as its interim and annual financial statements.
- Establishing and approving the Company's annual business plan.
- Overseeing the Company's Executive Management, including the Chief Executive Officer.
- Ensuring a clear segregation between the roles of the Chairman of the Board and the Chief Executive Officer, in order to safeguard the independence of decision-making.
- Supervising and monitoring Executive Management and ensuring that it performs its assigned duties and responsibilities in accordance with the policies approved by the Board of Directors to achieve the Company's objectives and purposes.
- Forming Board Committees and determining their respective terms of reference, authorities, and responsibilities.
- Monitoring the progress of the Company's operations on a periodic basis through regular meetings with Executive Management.
- Overseeing the implementation of administrative and financial regulations and ensuring their proper application.

Board Committees:

1. Internal Audit and Risk Management Committee

The Board of Directors established the Committee during Board Meeting No. 3 of 2025, held on 4 May 2025

Committee Composition:

Mr. Ahmad Mohammad Hassan	Committee Chair
Dr. Adel Khaled Al-Subeih	Member
Mr. Abdulrahman Shaikhan Al-Farisi	Member

- The Committee held five (5) meetings during 2025.
- The quorum for Committee meetings is two (2) members.
- The term of membership in the Committee is three (3) years or until the next Board of Directors' election, whichever occurs first.

- Responsibilities and Achievements of the Internal Audit and Risk Management Committee:
 1. Reviewing interim and annual financial statements before submission to the Board of Directors.
 2. Recommending the appointment, reappointment, replacement, or removal of external auditors, determining their fees, and monitoring their work and observations on the Company's financial statements.
 3. Reviewing the Company's accounting policies.
 4. Assessing the adequacy of the internal control systems implemented within the Company.
 5. Providing technical oversight of the Internal Audit Department and recommending the appointment or removal of the Head of Internal Audit.
 6. Reviewing and approving proposed audit plans, and evaluating the results of internal audit reports.
 7. Ensuring the Company's compliance with applicable laws, regulations, and internal policies. Developing and reviewing risk management strategies and policies.
 8. Developing and reviewing risk management strategies and policies.
 9. Ensuring the availability of resources and systems for effective risk management.
 10. Evaluating the mechanisms for identifying, measuring, and monitoring risks facing the Company.
 11. Assisting the Board in defining and assessing the Company's risk appetite.
 12. Reviewing the organizational structure of the Risk Management function.
 13. Ensuring the independence of Risk Management staff and their full understanding of the risks affecting the Company.
 14. Preparing periodic reports on the nature of risks that the Company may face.

2. Nomination and Remuneration Committee

The Board of Directors established the Committee during Board Meeting No. 3 of 2025, held on 4 May 2025.

Committee Composition:

Dr. Adel Khaled Al-Subaih	Committee Chair
Mr. Abdulaziz Ibrahim Al-Rabiah	Member
Mr. Hamad Mohammed Al-Saad	Member
Mr. Abdulrahman Shaikhan Al-Farsi	Member

- The Committee held three (3) meetings during 2025.
- The quorum for Committee meetings is two (2) members.
- The term of membership in the Committee is three (3) years or until the next Board of Directors' election, whichever occurs first.

Responsibilities and Achievements of the Nomination and Remuneration Committee

- Recommending the acceptance or reappointment of Board members, members of Board Committees, and Executive Management
- Conducting an annual review of the skills required for Board membership.
- Attracting applications for executive positions within the Company.
- Developing job descriptions for Executive Directors, Non-Executive Directors, and Independent Directors.
- Proposing the nomination and re-nomination of Independent Directors for election by the General Assembly and ensuring that their independence is maintained.
- Developing and annually reviewing the Remuneration Policy for Board members and senior executives.
- Determining remuneration bands for Company employees.
- Preparing an annual report on the remuneration of Board members and Executive Management, to be submitted to the General Assembly.

Board Members' Right of Access to Information and Data

- Members of the Board of Directors are provided with all available information and data related to the items included on the agenda of Board meetings at least three (3) working days prior to the meeting date.
- Board members are given sufficient time to review and discuss the agenda items to ensure effective participation and informed decision-making.
- Board members have the right to access relevant and reliable information and data and obtain them from the Company, including the right to communicate directly with the concerned departments within the Company, in accordance with the approved policies and regulations.

PRINCIPLE THREE

SELECTING QUALIFIED INDIVIDUALS FOR MEMBERSHIP OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

- The Nomination and Remuneration Committee was formed comprising four members from the Board of Directors. The members were selected based on their relevant professional and managerial experience, in line with the nature of the Committee's responsibilities and the Company's activities, ensuring adequate understanding of technical requirements and keeping pace with developments in the Company's operations.
- The Company's approved remuneration and incentive policy takes into consideration achieving alignment between remuneration, on the one hand, and the Company's strategy, objectives, and the size, nature, and level of risks it faces, on the other hand. The Company also considers prevailing practices among peer companies and the general labor market when determining remuneration, while ensuring that no unjustified increases occur.
- Remuneration is determined in a fair and proportionate manner, taking into account each member's roles and responsibilities, the duties performed by members of the Board of Directors and Executive Management, and the extent to which the objectives set by the Board during the financial year are achieved.
- Remuneration is determined based on the level of the position, the nature of the duties and responsibilities associated with it, academic qualifications, professional experience, skills, and the level of performance achieved.

Report on the Remuneration Granted to Members of the Board of Directors and Executive Management

First: Remuneration of the Board of Directors

In 2025, the total remuneration granted to members of the Board of Directors amounted to K.D. 150,000, subject to the approval of the shareholders at the Company's General Assembly.

Remuneration and Benefits of the Board of Directors:

	Remunerations and benefits through the parent company			Remunerations and benefits through subsidiaries			
	Fixed Remunerations and Benefits (KWD)	Variable Remunerations and Benefits (KWD)		Fixed Remunerations and Benefits (KWD)	Total monthly salaries during the year	Variable Remunerations and Benefits (KWD)	
members	Medical insurance	Annual Bonus	Committees' Remunerations	Medical insurance		Annual Bonus	Committees' Remunerations
5	-	150,000	-	-	-	-	-

Second: Remuneration of the Chief Executive Officer, Deputy Chief Executive Officers, and Two Senior Executives

The total remuneration and benefits granted to five senior executives who received the highest remuneration, including the Chief Executive Officer and the Chief Financial Officer, or their equivalents if they are not among them.

	Remunerations and benefits through the parent company			Remunerations and benefits through subsidiaries		
	Fixed Remuneration and Benefits (KWD)	Variable Remuneration and Benefits (KWD)		Fixed Remuneration and Benefits (KWD)	Variable Remuneration and Benefits (KWD)	
fo rebmun latoT snottisop evitucexe						
6						
Monthly salaries (total during the year)	KD 433,962					
Medical insurance	-					
Annual tickets	-					
housing allowance	-					
Transportation allowance	KD 14,737					
Annual bonus (shares)		1,111,372 Shares				
Monthly salaries (total during the year)						
Medical insurance						
Annual tickets						
housing allowance						
Transportation allowance						
Children education allowance						
Annual bonus (shares)						

During 2025, no material deviations were recorded from the Company's approved remuneration policy.

PRINCIPLE FOUR

ENSURING THE INTEGRITY OF FINANCIAL REPORTS



Written Representations by the Board of Directors and Executive Management on the Integrity of Financial Reports

The Board of Directors ensures the integrity and reliability of the Company's financial reporting by verifying the independence and integrity of the external auditor and by maintaining an effective Internal Audit function that reports to the Board through the Audit and Risk Management Committee. In addition, the Board ensures the establishment of sound and effective risk management and internal control systems.

In accordance with the principles governing the integrity of financial data and reporting, Executive Management has provided written representations, to the best of its knowledge and belief, confirming the accuracy and fairness of the financial statements and reports submitted to the Board of Directors. The Board of Directors has, in turn, confirmed the fairness of the presentation of such financial data and reports to the shareholders after exercising its oversight role and applying the necessary level of due diligence to verify the accuracy, integrity, and reliability of the financial information.

Formation of the Internal Audit and Risk Management Committee

The Internal Audit and Risk Management Committee was formed with three members, including one independent member. It was ensured that neither the Chairman of the Board nor any Executive Board members are members of the Committee. In addition, at least one member of the Committee possesses academic qualifications and practical experience in financial and investment fields.

There were no conflicts between the recommendations of the Internal Audit and Risk Management Committee and the resolutions issued by the Board of Directors during the financial year ended 31 December 2025.

Independence and Objectivity of the External Auditor

The external auditor is appointed upon the approval of the General Assembly based on the recommendation of the Board of Directors, following confirmation by the Internal Audit and Risk Management Committee that the auditor is registered in the Authority's designated register and meets all requirements stipulated under the Authority's regulations governing the registration of external auditors.

During the General Assembly meeting held on 26 March 2025, the Company's shareholders approved the reappointment of Ms. Hind Abdullah Hamad Al-Saree, from Grant Thornton – Al-Qatami, Al-Aiban & Partners, as the Company's external auditor for the year 2025, with the Board of Directors authorized to determine her fees.

Grant Thornton – Al-Qatami, Al-Aiban & Partners is considered fully qualified and independent from the Company and its Board of Directors. The external auditor performs an independent annual audit and quarterly reviews to confirm that the financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and in compliance with the requirements of the regulatory authorities in the State of Kuwait.

PRINCIPLE FIVE

ESTABLISHING SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company is committed to establishing and implementing effective risk management and internal control systems aimed at safeguarding the Company's assets and ensuring the accuracy and reliability of financial information. These systems include identifying, measuring, and monitoring potential risks in accordance with the Company's approved Risk Management Policy.

The Risk Management Unit reports directly to the Board of Directors. The Board works to strengthen the Company's internal control framework to ensure adequate protection against internal and external risks.

- The Board of Directors has established the Internal Audit and Risk Management Committee comprising three members, chaired by a Non-Executive Board member. The Chairman of the Board is not a member of this Committee in order to enhance its authority and independence. The term of membership is three years or until the next Board elections, whichever occurs first.
- The Board has approved the Internal Audit Policies and Procedures to ensure the existence of appropriate control mechanisms and adequate safeguards supporting the Company's activities. The independence of the Internal Audit Unit is emphasized as a key factor for the effective performance of its duties. The Internal Audit Unit reports to the Internal Audit and Risk Management Committee.
- The Internal Audit Unit, in coordination with the Internal Audit and Risk Management Committee, evaluates the adequacy and effectiveness of the Company's internal control systems.

PRINCIPLE SIX

PROMOTING PROFESSIONAL CONDUCT AND ETHICAL VALUES

The Board of Directors adheres to the principles of corporate governance, including disclosure of any transactions or arrangements entered into by the Company with related parties where such parties may have an interest that could conflict with the Company's interests. Any related party transactions are disclosed in the notes to the Company's financial statements.

In all cases, the Company's relationships with third parties must serve the Company's interests. All transactions must be conducted on an arm's length basis and in accordance with prevailing market prices, and must not include terms that may be detrimental to the Company.

- The Board of Directors has approved the Conflict of Interest Policies and Procedures Manual to prevent any potential conflicts of interest. Members of the Board of Directors, Executive Management, and all employees of the Company are required to comply with its provisions.
- Board members are required to disclose any conflict of interest.
- A Board member must obtain the prior approval of the Company's General Assembly if he has a direct or indirect interest in contracts or transactions concluded with or on behalf of the Company, in accordance with the applicable laws and regulations.

PRINCIPLE SEVEN

ACCURATE AND TIMELY DISCLOSURE AND TRANSPARENCY

The Company is committed to adhering to best practices in disclosure and transparency, ensuring that shareholders and stakeholders are provided with reliable and accurate information in a timely manner. The Company submits all disclosures to the Capital Markets Authority and the Kuwait Stock Exchange and makes them publicly available on its official website.

- The Company ensures accurate disclosure within the specified timeframes to protect investors and enhance their confidence in the Company.
- Board members and Executive Management are required to make disclosures in a dedicated register maintained for this purpose.
- The Company maintains a special register recording all remuneration, salaries, and incentives granted to Board members and Executive Management, which shareholders are entitled to review free of charge.
- Board members and Executive Management are also required to maintain strict confidentiality regarding all Company operations and activities.
- The Company has established an Investor Relations Unit to manage its relationships with investors, acting as the primary point of contact for current shareholders and potential investors, providing them with the necessary data and information.
- The Company has developed an IT infrastructure to ensure that all shareholders and investors have timely access to updated information, enabling them to exercise their rights.
- The Company's website includes detailed information about the Company, the Board of Directors, Executive Management, the Company's main activities, financial data, as well as a dedicated section on corporate governance and disclosures.

PRINCIPLE EIGHT

RESPECTING SHAREHOLDERS' RIGHTS

National Industries Company (NIC) is committed to ensuring that all shareholders are able to exercise their rights fairly and equally, without any infringement. The Company also affirms its commitment to protecting shareholders' assets and preventing any misuse by the Board, Executive Management, or employees. Shareholders are treated equally, in accordance with applicable laws and regulations, and in a manner consistent with the Company's interests.

The Board promotes active shareholder participation in decision-making by enabling shareholders to attend General Assembly meetings, discuss agenda items, and vote on resolutions, including the election and removal of Board members. The Board also ensures that shareholders can express reservations or objections regarding General Assembly decisions and exercise oversight by discussing agenda items and directing inquiries to Board members and the external auditor.

- The Company has signed an agreement with the Kuwait Central Depository and the Kuwait Clearing Company to maintain a dedicated shareholder register. Under this agreement, the Clearing Company manages all shareholder-related matters, including:
 1. Creating a register of shareholders with their names, shareholder numbers, and number of shares.
 2. Updating shareholder records for all trading transactions on the Kuwait Stock Exchange.
 3. Handling ownership transfers and transfer certificates for approved sales or purchases.
 4. Managing procedures for lost, damaged, or replacement share certificates.
 5. Handling cash dividend and bonus share distributions.
 6. Providing the Company with periodic reports on shareholder balances.
 7. Providing monthly reports on dividends received and unpaid.
- The Company has established a shareholder database and annually distributes the annual report, financial statements, and General Assembly invitations via email to registered shareholders, encouraging their participation and voting.

PRINCIPLE NINE

RECOGNIZING THE ROLE OF STAKEHOLDERS

The Company recognizes the importance of managing its relationships with various stakeholders, including employees, shareholders, suppliers, customers, and others, in a manner that safeguards the rights of the Company and all related parties. Established systems and executed contracts provide the framework for defining mutual rights and obligations. The Board has approved a Stakeholder Rights Protection Policy and Procedures Manual to guide its implementation.

The Company respects and protects stakeholder rights in accordance with applicable laws and regulations in Kuwait, including the Labor Law, Companies Law, and its executive regulations, as well as the provisions of contracts with stakeholders.

The Company also ensures stakeholders have access to available information through printed annual reports distributed to shareholders before the General Assembly and by publishing such information on the Company's official website.

- The Company encourages stakeholder engagement in its activities and fosters cooperation to support compliance with the Company's objectives, values, and societal goals.
- The Company website serves as a platform for stakeholders to communicate concerns or report violations, with strict confidentiality maintained regarding complaints and their submitters.

PRINCIPLE TEN

ENHANCING AND IMPROVING PERFORMANCE

- The Board is committed to continuously improving its performance and efficiency, developing its leadership skills, and encouraging members to enhance their knowledge and understanding of corporate governance best practices.
- Board members and Executive Management participate in ongoing training, conferences, and seminars to develop their skills and expertise relevant to the Company's activities.
- The Company implements training programs for Board members and Executive Management through courses organized by the Kuwait Foundation for the Advancement of Sciences, Abdulaziz Hamad Al-Saqr Center for Development and Training of the Kuwait Chamber of Commerce and Industry, and other training institutions, either in-person or online.
- The Company prepares an annual training plan for employees, with courses held locally or abroad in coordination with relevant authorities. Employees are encouraged to attend workshops organized by the Kuwait Stock Exchange.
- The Board evaluates its overall performance and that of each member annually based on objective performance indicators. The performance of Board Committees is also assessed.
- Executive Management undergoes an annual performance evaluation based on measurable objectives.
- The Board promotes corporate values within the Company by establishing mechanisms and procedures that achieve strategic objectives and enhance performance, thereby fostering institutional values among employees and motivating them to maintain consistent performance.

Key Institutional Values at National Industries Company (NIC) include:

Transparency and Credibility, Integrity, Fairness, Teamwork, Respect, Innovation, Competitiveness

Quality and Continuous Improvement

PRINCIPLE ELEVEN

THE IMPORTANCE OF SOCIAL RESPONSIBILITY

The Board of Directors has adopted a policy aimed at balancing the Company's objectives with societal needs, reflecting the Company's commitment to aligning its values and business strategy with economic and social requirements. The Company has also embraced a social mission to strengthen its role in serving the community, recognizing that society has rights and responsibilities for all individuals and institutions alike. This commitment has been practically implemented through various initiatives, including:

1. Providing opportunities for Kuwaiti graduates to secure suitable employment through participation in various job fairs. The Company has successfully achieved national workforce quotas in accordance with applicable laws and regulations, while also offering support, training, and professional development to enable employees to reach the highest functional levels.
2. Ensuring that the Company's products are environmentally compliant and continuing efforts to implement community service programs aligned with the Company's mission and values.
3. Encouraging energy conservation by promoting thermal insulation techniques and demonstrating their impact on reducing energy consumption in Kuwait, supported by educational videos.
4. Supporting graduation projects related to the Company's field of work and welcoming students to conduct research, studies, and master's theses on the Company's operations and activities.
5. Conducting awareness workshops for citizens in new residential areas regarding construction permits, including guidance on contractor selection, material preparation, and providing accessible demonstration sites or mobile units for visitors.
6. Demonstrating the quality of building materials to citizens, highlighting differences in strength and durability, and advising on the selection of steel, AAC blocks, and full insulation systems. The Company has also assisted several small project entrepreneurs by providing access to its laboratories for practical testing.
7. Educating citizens on the procedures required for government approvals and construction-related transactions.
8. Supporting public schools by enhancing flooring and repainting school fences using the Company's products.
9. Installing traffic barriers near schools using the Company's products.
10. Donating Company products to various governmental and public benefit organizations.
11. Organizing blood donation initiatives in collaboration with the Blood Bank, with active participation from Company employees.

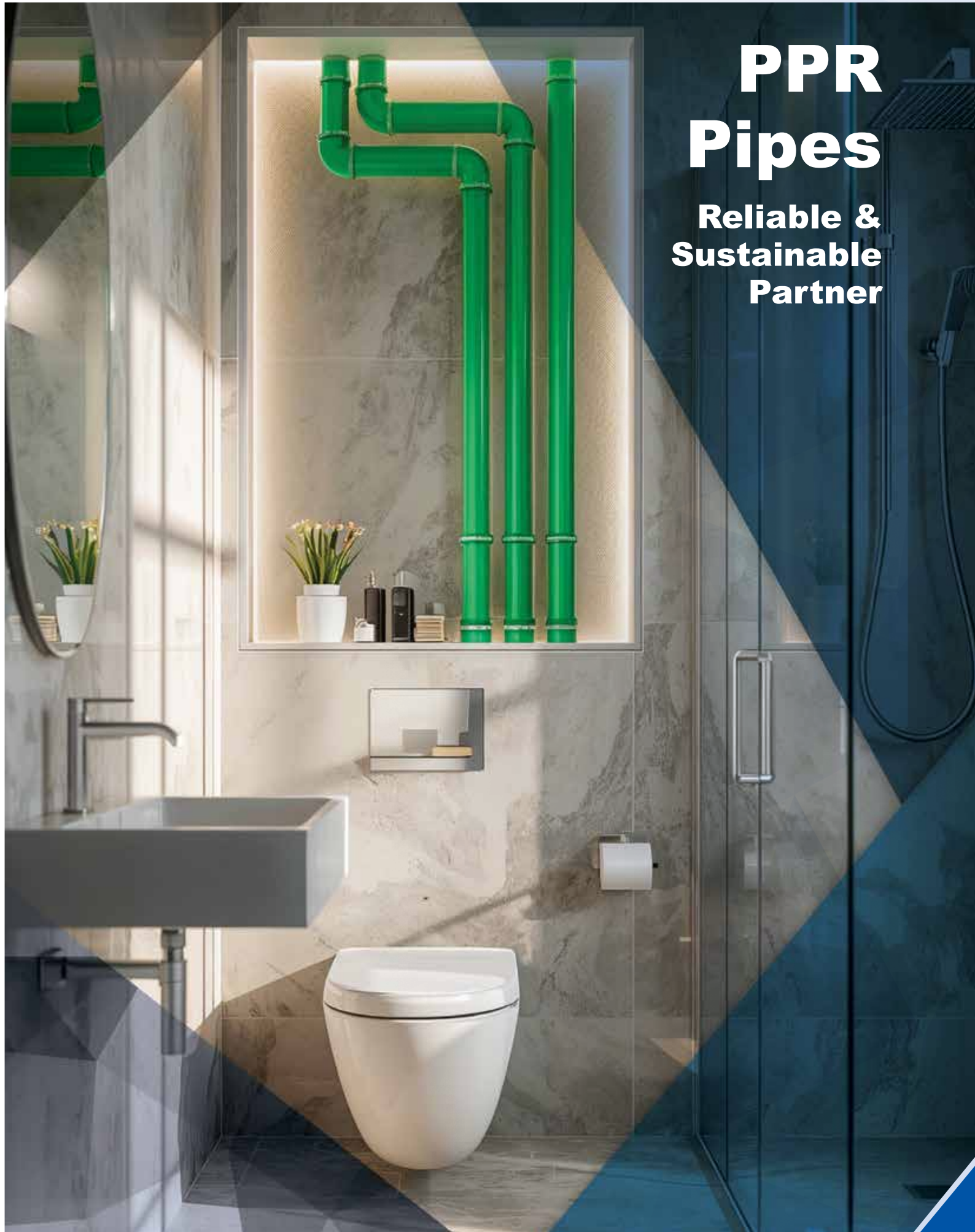
Key channels used to highlight the Company's social role include:

The Company's official website, Daily newspapers, The Board of Directors' report including the corporate governance report

The Company's social media platforms

PPR Pipes

**Reliable &
Sustainable
Partner**



INTERNAL AUDIT COMMITTEE'S 2025 REPORT

STATEMENT OF THE HEAD OF THE COMMITTEE

In line with the principles of sound corporate governance, the Board of Directors established the Audit Committee to ensure the reliability of the Company's financial statements and the effectiveness of its control systems. The Committee serves as a key governance mechanism that reinforces transparency and compliance through the continuous review of the adequacy and effectiveness of internal control systems, while ensuring that periodic reports are prepared in accordance with the applicable standards.

Formation of Internal Audit Committee:

The Board of Directors formed the Internal Audit Committee in accordance with Board Resolution No. 3 of 2025 dated 4 May 2025. The Committee was constituted as follows:

Mr. Ahmad Mohammed Hassan	Head of Committee
Dr. Adel Khaled Al Subeih	Committee Member
Mr. Abdullrahman Shaikh Al-Farisi	Committee Member

The committee held 5 meetings during 2025, as follows:

Name of member	Meeting (1) held in 6/2/2025	Meeting (2) held in 4/5/2025	Meeting (3) held in 25/5/2025	Meeting (4) held in 24/7/2025	Meeting (5) held in 5/11/2025	Number of meetings
Mr. Ahmad Mohammed Hassan (Head of Committee)	✓	✓	✓	✓	✓	5
Dr. Adel Khaled Al Subeih (Committee Member)	✓	✓	✓	✓	✓	5
Mr. Abdullrahman Shaikh Al-Farisi (Committee Member)	✓	✓	✓	✓	✓	5

It is of our pleasure to present herein the report that states the achievements of the committee during the financial year ended in 31/12/2025 detailed as the following..

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

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

Achievements of Internal Audit and Risk Management Committee**1. Auditing and approval of the Interim and Annual Financial Statements:**

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

2. Auditing and approving the Company's 2025 estimated balance sheet:

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

3. Recommending the appointment of an external auditor:

The Internal Audit and Risk Management Committee submitted a recommendation to the Board of Directors to appoint Ms. Hend Abdullah Al Surayea from Grant Thornton - Al-Qatami, Al-Aiban & Partners, as the Company's auditor in 2025.

Committee Head
Ahmad Mohammad Hassan

Ready Mix

Pour it..
and forget it



Consolidated Financial Statements and Independent Auditor's Report

**National Industries Company - KPSC
and Subsidiaries - KUWAIT**
31 December 2025

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Independent Auditor's Report

**To the Shareholders of
National Industries Company - KPSC
Kuwait**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Company - KPSC ("Parent Company") and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Revenue recognition

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

Our audit procedures included among others, testing the operating effectiveness of associated internal controls and performing substantive audit procedures. We performed analytical reviews and reviewed management accounts to identify any material new revenue streams. Our testing procedures included reviewing customer contracts, checking delivery records and price lists and checking that the recognition criteria of IFRS Accounting Standards as issued by the IASB were met. We also assessed the adequacy of the Group's disclosures of its revenue recognition policy, the judgements involved and other related disclosures.

The Group's disclosures about revenue recognition are included in Note 5.4 and Note 8. Revenue by segment is disclosed in Note 30.

Valuation of unquoted financial assets at fair value through OCI

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

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

The Group's disclosures about these unquoted financial assets at fair value through other comprehensive income are included in Note 5.15.3, Note 16 and Note 36.

Other information included in the Group Annual Report for the year ended 31 December 2025

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.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2025 that might have had a material effect on the business or financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2025 that might have had a material effect on the business or financial position of the Parent Company.

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Hend Abdullah Al Surayea

(Licence No. 141-A)

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

Kuwait

16 February 2026

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Revenue			
Revenue from sales and customer contracts	8	54,367,619	51,421,501
Cost of sales and customer contracts		(44,599,953)	(41,373,945)
Gross profit		9,767,666	10,047,556
Other operating income		821,640	598,454
Investment income	9	2,273,129	2,522,052
Reversal of provision no longer required	34	-	2,133,342
Share of results of associates		(325,358)	(158,768)
Reversal of impairment/(Impairment) in value of an associate		235,000	(85,000)
Foreign currency exchange (loss)/gain		(11,038)	75,968
		12,761,039	15,133,604
Expenses and other charges			
Distribution expenses		(2,469,281)	(2,616,128)
General, administrative and other expenses		(5,345,649)	(4,939,743)
Finance costs		(173,545)	(176,910)
Provision for slow-moving inventories	17	(41,842)	(117,648)
Impairment in value of receivables and other assets	19	(299,123)	(616,446)
Profit before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration		4,431,599	6,666,729
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(35,823)	(58,152)
Provision for National Labour Support Tax (NLST)		(111,348)	(143,062)
Provision for Zakat		(46,507)	(55,293)
Board of Directors' remuneration		(137,000)	(150,000)
Profit for the year	11	4,100,921	6,260,222
Attributable to:			
Owners of the Parent Company		3,586,147	6,059,494
Non-controlling interests		514,774	200,728
Profit for the year		4,100,921	6,260,222
Basic earnings per share attributable to the owners of the Parent Company (Fils)	12	10.34	17.31
Diluted earnings per share attributable to the owners of the Parent Company (Fils)	12	10.30	17.22

The notes set out on pages 42 to 85 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Profit for the year	4,100,921	6,260,222
<i>Other comprehensive income:</i>		
<i>Items that will be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Exchange differences from translation of foreign operations	(3,003)	(162,323)
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Investments at fair value through other comprehensive income:		
Net change in fair value during the year	(790,919)	4,145,983
Total other comprehensive (loss)/income	(793,922)	3,983,660
Total comprehensive income for the year	3,306,999	10,243,882
Total comprehensive income attributable to:		
Owners of the Parent Company	2,792,225	10,125,289
Non-controlling interests	514,774	118,593
	3,306,999	10,243,882

The notes set out on pages 42 to 85 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec.2025 K.D	31 Dec. 2024 K.D
Assets			
Non-current assets			
Property, plant and equipment	13	18,614,585	18,496,356
Right of use assets	14	2,869,746	946,513
Investment properties	15	14,668,754	14,011,173
Investment in associates		3,060	167,350
Investments at fair value through other comprehensive income	16	27,771,310	28,500,967
		<u>63,927,455</u>	<u>62,122,359</u>
Current assets			
Inventories and spare parts	17	22,548,106	24,376,969
Investments at fair value through profit or loss	18	3,708,116	3,107,279
Accounts receivable and other assets	19	13,816,337	13,819,655
Wakala investments	20	18,214,550	16,800,000
Cash and bank balances	21	2,653,278	2,975,459
		<u>60,940,387</u>	<u>61,079,362</u>
Total assets		<u>124,867,842</u>	<u>123,201,721</u>
Equity and liabilities			
Equity			
Share capital	22	35,089,162	35,089,162
Share premium	22	32,565,638	32,565,638
Treasury shares	23	(1,070,790)	(299,420)
Legal reserve	24	8,405,664	8,013,981
Voluntary reserve	24	2,636,072	2,244,389
Staff bonus shares reserve	32	314,443	303,107
Other components of equity	25	8,462,625	9,324,874
Retained earnings		5,182,012	5,783,767
Total equity attributable to the owners of the Parent Company		<u>91,584,826</u>	<u>93,025,498</u>
Non-controlling interests		1,355,659	840,885
Total equity		<u>92,940,485</u>	<u>93,866,383</u>
Non-current liabilities			
Provision for land filling expenses	26	568,352	556,352
Lease liabilities - non-current portion	27	2,404,272	615,925
Provision for employees' end of service benefits		8,124,069	8,043,095
		<u>11,096,693</u>	<u>9,215,372</u>
Current liabilities			
Due to banks	21	-	506,447
Ijara payables	29	1,360,000	1,700,000
Lease liabilities – current portion	27	646,960	585,868
Accounts payable and other liabilities	28	18,823,704	17,327,651
		<u>20,830,664</u>	<u>20,119,966</u>
Total liabilities		<u>31,927,357</u>	<u>29,335,338</u>
Total equity and liabilities		<u>124,867,842</u>	<u>123,201,721</u>



Abdul Aziz Ibrahim Al-Rabia
Chairman



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

The notes set out on pages 42 to 85 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company										Total K.D
	Share capital K.D	Share premium K.D	Treasury shares K.D	Legal reserve K.D	Voluntary reserve K.D	Staff bonus shares reserve K.D	Other components of equity (note 25) K.D	Retained earnings K.D	Sub- Total K.D	Non- controlling interests K.D	
Balance as at 1 January 2025	35,089,162	32,565,638	(299,420)	8,013,981	2,244,389	303,107	9,324,874	5,783,767	93,025,498	840,885	93,866,383
Purchase of treasury shares	-	-	(1,111,645)	-	-	-	-	-	(1,111,645)	-	(1,111,645)
Cost of share-based payments (note 32)	-	-	-	-	-	383,407	-	-	383,407	-	383,407
Issue of staff bonus shares (note 32)	-	-	340,275	-	-	(372,071)	-	(4,810)	(36,606)	-	(36,606)
Cash dividends (note 31)	-	-	-	-	-	-	(3,468,053)	(3,468,053)	-	-	(3,468,053)
Transactions with the owners	-	-	(771,370)	-	-	11,336	(3,472,863)	(4,232,897)	-	-	(4,232,897)
Profit for the year	-	-	-	-	-	-	3,586,147	3,586,147	-	514,774	4,100,921
Other comprehensive loss for the year	-	-	-	-	-	-	(793,922)	(793,922)	-	-	(793,922)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(793,922)	3,586,147	2,792,225	514,774	3,306,999
Transferred to reserves	-	-	-	391,683	391,683	-	(783,366)	-	-	-	-
Transfer of gain on disposal of equity investments at FVTOCI to retained earnings	-	-	-	-	-	-	(68,327)	68,327	-	-	-
Balance as at 31 December 2025	35,089,162	32,565,638	(1,070,790)	8,405,664	2,636,072	314,443	8,462,625	5,182,012	91,584,826	1,355,659	92,940,485
Balance as at 1 January 2024	35,089,162	32,565,638	(172,797)	7,367,381	1,597,789	224,424	5,265,944	3,651,156	85,588,697	1,441,276	87,029,973
Purchase of treasury shares	-	-	(289,649)	-	-	-	-	-	(289,649)	-	(289,649)
Cost of share-based payments (note 32)	-	-	-	-	-	237,072	-	-	237,072	-	237,072
Issue of staff bonus shares (note 32)	-	-	163,026	-	-	(158,389)	-	(4,637)	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	151,906	151,906
Consolidation adjustments and related reallocation from non-controlling interest to retained earnings	-	-	-	-	-	-	-	870,890	870,890	(870,890)	-
Cash dividends (note 31)	-	-	-	-	-	-	(3,506,801)	(3,506,801)	-	-	(3,506,801)
Transactions with the owners	-	-	(126,623)	-	-	78,683	(2,640,548)	(2,688,488)	(718,984)	(3,407,472)	(3,407,472)
Profit for the year	-	-	-	-	-	-	6,059,494	6,059,494	-	200,728	6,260,222
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	4,065,795	(4,065,795)	-	(82,135)	3,983,660
Total comprehensive income for the year	-	-	-	-	-	-	4,065,795	6,059,494	10,125,289	118,593	10,243,882
Transferred to reserves	-	-	-	646,600	646,600	-	(1,293,200)	-	-	-	-
Transfer of gain on disposal of equity investments at FVTOCI to retained earnings	-	-	-	-	-	-	(6,865)	6,865	-	-	-
Balance as at 31 December 2024	35,089,162	32,565,638	(299,420)	8,013,981	2,244,389	303,107	9,324,874	5,783,767	93,025,498	840,885	93,866,383

The notes set out on pages 42 to 85 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Note		
OPERATING ACTIVITIES		
Profit for the year before provisions for contribution to KFAS, NLST, Zakat and Directors' remuneration	4,431,599	6,666,729
Adjustments:		
Depreciation of property, plant and equipment	3,405,028	3,379,577
Amortization of right of use assets	954,897	1,427,190
Change in fair value of investment properties	317,670	(361,569)
Loss on write off of property, plant and equipment	1,100	359
Share of results of associates	325,358	158,768
(Reversal of impairment)/impairment in value of an associate	(235,000)	85,000
Dividend income from investments at fair value through other comprehensive income	(492,544)	(308,039)
Dividend income from investments at fair value through profit or loss	(99,848)	(24,319)
Income from Wakala and Murabaha investments	(597,505)	(753,849)
Cost of share-based payment	383,407	237,072
Interest income	(77,549)	(161,551)
Finance costs	173,545	176,910
Provision for land filling expenses	12,000	4,224
Provision for slow-moving inventories	41,842	117,648
Reversal of provision no longer required	-	(2,133,342)
Impairment in value of receivables and other assets	299,123	616,446
Provision for employees' end of service benefits	1,014,425	1,038,010
	9,857,548	10,165,264
Changes in operating assets and liabilities:		
Inventories and spare parts	1,787,021	(1,604,003)
Investments at fair value through profit or loss	(600,837)	(301,733)
Accounts receivable and other assets	(295,805)	659,978
Accounts payable and other liabilities	1,329,941	(830,603)
Operating cash flow	12,077,868	8,088,903
Employees' end of service indemnity paid	(933,451)	(403,823)
KFAS paid	(58,193)	(37,592)
NLST paid	(168,842)	(114,436)
Zakat paid	(62,913)	(41,740)
Net cash flows from operating activities	10,854,469	7,491,312

The notes set out on pages 42 to 85 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
INVESTING ACTIVITIES			
Additions of property, plant and equipment		(3,524,357)	(2,664,753)
Additions to investment properties		(975,251)	(4,745,694)
Additions to investments at fair value through other comprehensive income		(143,941)	(934,232)
Dividends/liquidation proceeds received from associates		70,929	361,358
Proceeds from sale/redemption of investments at fair value through OCI		82,679	29,467
Dividend income received from investments at fair value through other comprehensive income		492,544	308,039
Dividend income received from investments at fair value through profit or loss		99,848	24,319
Change in Wakala investments maturing after 3 months		(500,000)	6,250,000
Income received from Wakala investments		597,505	753,849
Interest income received		77,549	161,551
Net cash flows used in investing activities		(3,722,495)	(456,096)
FINANCING ACTIVITIES			
Funds received from Ijara facilities		-	1,700,000
Repayment of Ijara payables		(340,000)	-
Purchase of treasury shares		(1,111,645)	(289,649)
Finance costs paid		(125,277)	(99,887)
Lease liabilities paid		(988,183)	(1,272,244)
Cash dividends paid to shareholders		(3,468,053)	(3,506,801)
Net cash flows used in financing activities		(6,033,158)	(3,468,581)
Net increase in cash and cash equivalents		1,098,816	3,566,635
Cash and cash equivalents at beginning of the year		8,469,012	4,909,675
Cash and cash equivalents at the end of the year (with the disposal group)		9,567,828	8,476,310
Cash and cash equivalents attributable to the disposal group		-	(7,298)
Cash and cash equivalents at end of the year	21	9,567,828	8,469,012

The notes set out on pages 42 to 85 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. INCORPORATION AND ACTIVITIES

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

On 27 August 2025, an Extraordinary General Assembly Meeting was convened, during which amendments to Article (5) of the Memorandum of Incorporation and Article (4) of the Articles of Association were approved. The amendment was duly registered in the Commercial Register on 7 September 2025.

The revised objectives of the Parent Company are as follows:

- Manufacturing of all types of cement.
- Manufacturing of bricks, blocks, and thermal tiles including refractory cement.
- Manufacturing of cement bricks.
- Manufacturing of various concrete or cement products.
- Manufacturing of hollow cement blocks and bricks.
- Manufacturing of sand-lime bricks, floor blocks, roof tiles, and chimney pots.
- Manufacturing of tiles, mosaics, and all kinds of cement-based tiles.
- Manufacturing of various concrete or cement products like tanks and basins.
- Manufacturing of various concrete or cement products like pipes and tubes.
- Production of ready-mix concrete.
- Manufacturing of building materials made from plant substances bonded with cement.
- Manufacturing of clinker cement.
- Manufacturing of paints.
- Manufacturing of dyeing and coloring materials, and industrial and natural tanning substances.
- Manufacturing of plastics polymers primary forms.
- Manufacturing of propylene.
- Manufacturing of polyethylene.
- Manufacturing of quick lime.
- Manufacturing of slaked lime.
- Manufacturing of ordinary cement Portland.
- Manufacturing of white cement.
- Manufacturing of plaster and gypsum.
- Cutting, shaping, and finishing of stones for use in construction, building, and roads.
- Gravel Crushing.
- Sand extraction and repackaging dredging.
- Non-Hazardous waste collection.
- Non-Hazardous waste treatment and disposal.
- Importing Gravel / Aggregates.
- Recycling of used tires.
- Wholesale of cement, plaster and similar material.
- Wholesale of sand and gravel/aggregates.
- Retail sale of ready-mix concrete.
- Retail sale of building materials and scrap.
- Warehousing and storage.
- Wholesale of gravel and aggregates and its extraction.
- Wholesale of bricks, tiles, ceramic and marble.
- Production of marble slabs.
- Production of tiles kashy.
- Manufacturing of marble products.
- Wholesale of plumbing supplies, heaters, and water tanks.
- Wholesale of paints and varnishes.
- Wholesale of insulating materials and sealants.
- Wholesale of metal false ceilings, doors, windows, and metal fabrications.
- Retail sale of plumbing supplies.
- Retail sale of paints, coatings, varnishes, and adhesives.
- Retail sale of decoration products, false ceilings, insulating materials, and building materials.
- Retail sale of building materials.
- Investing surplus funds in financial portfolios managed by specialized companies.

Notes to the Consolidated Financial Statements *(continued)***1. Incorporation and activities** *(continued)*

- Buying and selling lands and real estate for the company's account only.
- Ownership of real estate and movable properties for the benefit of the company.
- Establishing companies or participating in them with others to carry out the company's business.
- Maintenance of oil facilities, wells, oil refineries, and petrochemical plants.
- Export and import offices.
- Leasing of construction equipment.
- Importing chemicals.
- Quality test and product certification offices.
- Cutting and sawing of marble.
- Buying and selling of shares and bonds on behalf of the company.
- Management and leasing of owned or leased real estate.
- Commercial representation agencies.
- Commission agent and trade.
- Leasing and renting of scientific, commercial, and industrial machinery and equipment.
- Project management.
- Management of industrial and craft facilities.
- Exploitation of quarries to extract stones, sand and clay.
- Packaging and wrapping.
- General stores containing a variety of goods except refrigerated goods.
- Transportation of solid and liquid waste.
- Industrial consulting.
- Rental of cranes for construction purposes.
- Repair and maintenance of light and heavy equipment.
- Repair and maintenance of light and heavy equipment non-vehicle.
- Manufacturing of air-conditioning units split or central, Freon or desert coolers.
- Manufacturing of air-conditioning units split or central, Freon.
- Repair and maintenance of air-conditioning, refrigeration, and air purification systems .
- Spare parts for refrigeration and air-conditioning systems.
- Manufacturing of plastic pipes, hoses, tubes, fittings, and accessories.
- Manufacturing of building accessories made of plastics.
- Manufacturing of building accessories.
- Manufacturing of insulation and waterproofing materials.
- Manufacturing of floor coverings.
- Manufacturing of ceiling and wall coverings.
- Collection and disposal of used oils.
- Treatment and refining of used oils.
- Manufacturing of basic chemicals.

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

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

These consolidated financial statements were authorised for issue by the board of directors of the Parent Company on 16 February 2026 and are subject to approval of the shareholders' general assembly of the Parent Company.

2. BASIS OF PREPARATION

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

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

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

Notes to the Consolidated Financial Statements *(continued)***3. STATEMENT OF COMPLIANCE OF IFRS ACCOUNTING STANDARDS AND GOING CONCERN ASSUMPTION**

These consolidated financial statements of the Group have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements 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. In confirming the validity of the going concern basis of preparation, the Group has considered various factors and has a reasonable expectation that the Group has and will have adequate resources to continue its operations for the foreseeable future.

4. CHANGES IN ACCOUNTING POLICIES**4.1 NEW AND AMENDED IFRS ACCOUNTING STANDARDS ADOPTED BY THE GROUP**

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

Standard or Interpretation	Effective for annual periods beginning
IAS 21 Amendments – Lack of exchangeability	1 January 2025

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.

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

4.2 IASB STANDARDS ISSUED BUT NOT EFFECTIVE

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

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

Notes to the Consolidated Financial Statements (continued)

4. Changes in accounting policies (continued)
 4.2 IASB Standards issued but not effective (continued)

Standard or Interpretation	Effective for annual periods beginning
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
Annual Improvements to IFRS Accounting Standards – volume 11	1 January 2026

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.
- 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. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- Two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- The classification of all income and expenses within the statement of profit or loss in one of five categories
- Disclosures of management-defined performance measures (MPM)
- An improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed 'Basis of Preparation of Financial Statements'. The publication of IFRS 18 also results in consequential amendments to other

Notes to the Consolidated Financial Statements *(continued)*4. *Changes in accounting policies (continued)*4.2 *IASB Standards issued but not effective (continued)*

IFRS Accounting Standards, including IAS 7.

Management is currently working to identify all of the impacts that IFRS 18 will have on the primary consolidated financial statements and notes to the 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.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Annual Improvements to IFRS Accounting Standards – volume 11

The annual improvement project updates a number of standards primarily providing clarifications and removing inconsistencies.

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

5. MATERIAL ACCOUNTING POLICY INFORMATION

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

5.1 BASIS OF CONSOLIDATION

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

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

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

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)*5.1 *Basis of consolidation (continued)*

loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

- A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:
 - Derecognizes the assets (including goodwill) and liabilities of the subsidiary
 - Derecognizes the carrying amount of any non-controlling interests
 - Derecognizes the cumulative translation differences, recorded in equity
 - Recognizes the fair value of the consideration received
 - Recognizes the fair value of any investment retained
 - Recognizes any surplus or deficit in profit or loss
 - Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.2 BUSINESS COMBINATIONS

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

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)***5.3 SEGMENT REPORTING**

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

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

5.4 REVENUE RECOGNITION

The Group recognises revenue from the following major sources:

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

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

The Group follows a 5-step process:

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

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

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

5.4.1 Sale of goods building materials and infrastructure products

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

5.4.2 Construction contracts

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

Notes to the Consolidated Financial Statements *(continued)***5. Material accounting policy information** *(continued)***5.4 Revenue recognition** *(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.

5.4.3 Rendering of services

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

5.5 INTEREST AND SIMILAR INCOME

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

5.6 DIVIDEND INCOME

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

5.7 OPERATING EXPENSES

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

5.8 BORROWING COSTS

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

5.9 TAXATION AND OTHER STATUTORY CONTRIBUTIONS**5.9.1 National Labour Support Tax (NLST)**

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

5.9.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

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

Notes to the Consolidated Financial Statements (continued)5. *Material accounting policy information (continued)*5.9 *Taxation and other statutory contributions (continued)***5.9.3 Zakat**

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

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

5.10 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

5.11 LEASES*The Group as a lessee*

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

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

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

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)*5.11 *Leases (continued)*

these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

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

Right-of-use asset

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

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

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

Lease liability

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

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

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

The Group as a lessor

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

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

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

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)*5.11 *Leases (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.

5.12 INVESTMENT PROPERTIES

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

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

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

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

5.13 INVESTMENT IN ASSOCIATES

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

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

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)**5. Material accounting policy information (continued)**5.13 Investment in associates (continued)*

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

5.14 INVENTORIES

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

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

5.15 FINANCIAL INSTRUMENTS**5.15.1 Recognition, initial measurement and derecognition**

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

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

- A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:
 - rights to receive cash flows from the assets have expired;
 - a. 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.
 - b. the Group has transferred substantially all the risks and rewards of the asset or

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

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

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

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)*5.15 *Financial instruments (continued)***5.15.2 Classification of financial assets**

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

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

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other
- 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. In the period presented no such designation has been made.

5.15.3 Subsequent measurement of financial assets**Financial assets at amortised cost**

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

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

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

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

- Bank balances, cash and Wakala investments

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

- Accounts receivable and other assets

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

- Due from related parties

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

Notes to the Consolidated Financial Statements (continued)

5. *Material accounting policy information* (continued)
 5.15 *Financial instruments* (continued)

Financial assets at FVTOCI

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

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

Debt instruments at FVTOCI

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

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

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

Equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation 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).

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

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or 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 of investment in equity shares

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)*5.15 *Financial instruments (continued)***5.15.4 Impairment of financial assets**

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

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

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

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

magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

The Group always recognises lifetime ECL for trade receivables (the simplified approach). The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

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

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

Notes to the Consolidated Financial Statements *(continued)**5. Material accounting policy information (continued)**5.15 Financial instruments (continued)***5.15.5 Classification and subsequent measurement of financial liabilities**

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

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

Financial Liabilities at 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:

Payables and other liabilities

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

Due to related parties

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

Due to banks

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

Ijara finance payables

Ijara finance payable represents amounts payable on a deferred settlement basis for assets purchased under Ijara arrangements. Ijara payable is stated at the gross amount of the balance 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. All the profit-related charges are included within finance costs.

5.15.6 Trade and settlement date accounting

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

5.15.7 Amortised cost of financial instruments

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

5.15.8 Offsetting of financial instruments

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

5.15.9 Fair value of financial instruments

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)*5.15 *Financial instruments (continued)*

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

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

An analysis of fair values of financial instruments and further details as to how they are measured as provided in Note 36.

5.16 IMPAIRMENT TESTING OF GOODWILL AND NON-FINANCIAL ASSETS

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

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

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

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

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

5.17 EQUITY, RESERVES AND DIVIDEND PAYMENTS

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

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

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

Other components of equity represent the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from

Notes to the Consolidated Financial Statements *(continued)*

5. *Material accounting policy information (continued)*
 5.17 *Equity, reserves and dividend payments (continued)*

the translation of financial statements of the Group's foreign entities into Kuwaiti Dinar ("KD")

- Fair value reserve – comprises gains and losses relating to investments at fair value through other comprehensive income.
- Treasury share reserve – comprise gains and losses on dealing in treasuries shares (refer 5.18)

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

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

5.18 TREASURY SHARES

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

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

5.19 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

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

5.20 FOREIGN CURRENCY TRANSLATION**5.20.1 Functional and presentation currency**

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

5.20.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Parent Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of

Notes to the Consolidated Financial Statements *(continued)*5. *Material accounting policy information (continued)*5.20 *Foreign currency translation (continued)*

monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Translation difference on non-monetary assets classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "fair value through OCI" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5.20.3 Foreign operations

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

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

5.21 EMPLOYEES' END OF SERVICE BENEFITS

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

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

5.22 RELATED PARTIES TRANSACTIONS

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

5.23 SHARE-BASED PAYMENTS

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

Equity-settled transactions

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

That cost is recognised, together with a corresponding increase in staff share bonus reserve in equity, over the period in which vesting conditions are fulfilled (note 32). The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which

Notes to the Consolidated Financial Statements *(continued)**5. Material accounting policy information (continued)**5.23 Share-based payments (continued)*

the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of profit or loss or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period and is recognised in employee benefits expenses.

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

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

5.24 CASH AND CASH EQUIVALENTS

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

5.25 CLIMATE-RELATED MATTERS

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

Assumptions could change in the future in response to new environmental regulations, commitments taken and changing consumer demand. These changes, if not anticipated, could have an impact on the Group's future cash flows, financial performance and financial position.

6. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6.1 SIGNIFICANT MANAGEMENT JUDGMENTS

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

6.1.1 Business model assessment

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

Notes to the Consolidated Financial Statements *(continued)*

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

6.1 *Significant management judgments (continued)*

6.1.2 Control assessment

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

6.1.3 Revenue recognition

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

6.1.4 Classification of real estate

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

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

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

6.1.5 Significant increase in credit risk

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

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

6.2 ESTIMATES UNCERTAINTY

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

6.2.1 Impairment of financial assets

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

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

Notes to the Consolidated Financial Statements *(continued)*6. *Significant management judgements and key sources of estimation uncertainty (continued)*6.2 *Estimates uncertainty (continued)***6.2.2 Impairment of inventories**

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

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

6.2.3 Impairment of right-of-use-of-assets

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

6.2.4 Useful lives of depreciable assets

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

6.2.5 Construction contract revenue

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

6.2.6 Fair value of financial instruments

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

6.2.7 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. Fair values are estimated by independent valuers who have used valuation techniques. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Notes to the Consolidated Financial Statements (continued)

7. SUBSIDIARIES

The details of the subsidiaries are as follows:

7.1 COMPOSITION OF THE GROUP

Name of Subsidiary	Country of incorporation	Percentage of ownership		Purpose
		31 Dec. 2025 %	31 Dec. 2024 %	
Industries Company for Building Systems– SPC (7.1.1)	Kuwait	100	100	Construction and contracting
National Industries Company for Ceramic - KSCC (7.1.2)	Kuwait	86.427	86.427	Manufacturing
SCOMI Oil Tools Gulf Company – WLL (7.1.2)	Kuwait	65	65	Practicing oil and gas wells operations and services
Scomi Oil Tools Middle East Company – WLL (7.1.2)	Kuwait	65	65	Practicing oil and gas wells operations and services
Kuwait Building Company for the Sale and Purchase of Land and Real Estate – WLL (7.1.2)	Kuwait	98	98	Buying and selling land and real estate

7.1.1 The Group has consolidated Industries Company for Building Systems – SPC using the audited financial statements for the financial year ended 30 November 2025.

7.1.2 The Group consolidated National Industries Company for Ceramic – KSCC, Scomi Oil Tools Gulf Company – WLL, Scomi Oil Tools Middle East Company – WLL, Kuwait Building Company for the Sale and Purchase of Land and Real Estate – WLL using the management accounts for the financial year ended 31 December 2025.

The Group does not include any subsidiaries with material non-controlling interests (NCI).

8. REVENUE FROM SALES AND CUSTOMER CONTRACTS

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Sale of building materials and infrastructure materials	40,799,500	40,140,919
Contracting revenue	13,568,119	11,280,582
	<u>54,367,619</u>	<u>51,421,501</u>

Notes to the Consolidated Financial Statements (continued)

9. INVESTMENT INCOME

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
From financial assets:		
Dividend income from investments at fair value through other comprehensive income	492,544	308,039
Dividend income from investments at fair value through profit or loss	99,848	24,319
Profit from sale of investments at fair value through profit or loss	1,594	-
Unrealized gain from investments at fair value through profit or loss	616,577	301,733
Income from Wakala and Murabaha investments	597,505	753,849
Interest income	77,549	161,551
	1,885,617	1,549,491
From real estate investments:		
Rental income	705,182	610,992
Change in fair value of investment properties	(317,670)	361,569
	2,273,129	2,522,052

10. NET GAIN ON FINANCIAL ASSETS

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

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Financial assets at amortised cost:		
- Interest income	77,549	161,551
- Income from Wakala and Murabaha investments	597,505	753,849
- Impairment in value of receivables and other assets	(299,123)	(616,446)
Financial assets at FVTPL:		
- Unrealised gain	616,577	301,733
- Dividend income	99,848	24,319
- Profit from sale of investments at fair value through profit or loss	1,594	-
Financial assets at FVTOCI:		
- recognised directly in other comprehensive income (including NCI share)	(790,919)	4,145,983
- recognised directly in consolidated statement of profit or loss as dividend	492,544	308,039
	795,575	5,079,028
Net gain recognised in the consolidated statement of profit or loss	1,586,494	933,045
Net (loss)/gain recognised in the consolidated statement of profit or loss and other comprehensive income	(790,919)	4,145,983
	795,575	5,079,028

Notes to the Consolidated Financial Statements (continued)

11. PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Staff costs:		
- Included in cost of sales and customer contracts	9,035,957	8,653,852
- Included in distribution expenses	1,099,766	1,065,780
- Included in general, administrative and other expenses	2,229,220	2,141,927
	12,364,943	11,861,559
Depreciation expenses:		
- Included in cost of sales and customer contracts	3,053,197	3,141,416
- Included in distribution expenses	193,203	168,446
- Included in general, administrative and other expenses	158,628	69,715
	3,405,028	3,379,577
Amortisation expenses:		
- Included in cost of sales and customer contracts	880,973	1,353,266
- Included in general, administrative and other expenses	73,924	73,924
	954,897	1,427,190

The number of staffs employed by the Parent Company at 31 December 2025 was 1,652 (2024: 1,628).

12. BASIC AND DILUTED EARNINGS PER SHARE

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

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Profit for the year attributable to the owners of the Parent Company	3,586,147	6,059,494
	3,586,147	6,059,494
Weighted average number of shares outstanding during the year to be used for basic earnings per share (excluding treasury shares)	346,734,747	350,135,853
Shares to be issued for no consideration under share-based payments – note 32	1,543,146	1,759,195
Weighted average number of shares outstanding during the year to be used to account for diluted earnings per share (excluding treasury shares)	348,277,893	351,895,048
Basic earnings per share attributable to the owners of Parent Company (Fils)	10.34	17.31
Diluted earnings per share attributable to the owners of Parent Company (Fils)	10.30	17.22

Notes to the Consolidated Financial Statements (continued)

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings K.D	Plant and equipment K.D	Motor vehicles K.D	Furniture and fixtures K.D	Assets under construction K.D	Total K.D
31 December 2025						
Cost						
At 1 January	33,983,654	59,847,259	14,812,473	3,126,650	753,282	112,523,318
Additions/transfers – Net	101,086	3,674,499	200,959	120,707	572,894	3,524,357
Write-off/disposals	-	(1,329,961)	(156,740)	(309,867)	-	(1,796,568)
At 31 December	<u>34,084,740</u>	<u>62,191,797</u>	<u>14,856,692</u>	<u>2,937,490</u>	<u>180,388</u>	<u>114,251,107</u>
Accumulated depreciation						
At 1 January	29,159,219	48,852,538	13,252,423	2,762,782	-	94,026,962
Charge for the year	469,720	2,422,975	360,628	151,705	-	3,405,028
Relating to write- off/disposals	-	(1,329,494)	(156,717)	(309,257)	-	(1,795,468)
At 31 December	<u>29,628,939</u>	<u>49,946,019</u>	<u>13,456,334</u>	<u>2,605,230</u>	<u>-</u>	<u>95,636,522</u>
Net book value						
At 31 December	<u>4,455,801</u>	<u>12,245,778</u>	<u>1,400,358</u>	<u>332,260</u>	<u>180,388</u>	<u>18,614,585</u>

	Buildings K.D	Plant and equipment K.D	Motor vehicles K.D	Furniture and equipment K.D	Assets under construction K.D	Total K.D
31 December 2024						
Cost						
At 1 January	33,793,125	57,939,605	14,729,233	4,986,001	530,097	111,978,061
Additions/transfers – Net	190,529	1,913,049	128,329	209,661	223,185	2,664,753
Write-off/disposals	-	(5,395)	(45,089)	(2,069,012)	-	(2,119,496)
At 31 December	<u>33,983,654</u>	<u>59,847,259</u>	<u>14,812,473</u>	<u>3,126,650</u>	<u>753,282</u>	<u>112,523,318</u>
Accumulated depreciation						
At 1 January	28,492,683	46,693,624	12,934,894	4,645,321	-	92,766,522
Charge for the year	666,536	2,164,300	362,614	186,127	-	3,379,577
Relating to write- off/disposals	-	(5,386)	(45,085)	(2,068,666)	-	(2,119,137)
At 31 December	<u>29,159,219</u>	<u>48,852,538</u>	<u>13,252,423</u>	<u>2,762,782</u>	<u>-</u>	<u>94,026,962</u>
Net book value						
At 31 December	<u>4,824,435</u>	<u>10,994,721</u>	<u>1,560,050</u>	<u>363,868</u>	<u>753,282</u>	<u>18,496,356</u>

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

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

Notes to the Consolidated Financial Statements (continued)

14. RIGHT OF USE ASSETS

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
The balance at the beginning of the year	946,513	1,687,531
Additions	2,837,622	649,743
Amortisation	(914,389)	(1,390,761)
Balance at the end of the year	2,869,746	946,513

15. INVESTMENT PROPERTIES

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
The balance at the beginning of the year	14,011,173	8,675,000
Additions/net movement (see below)	975,251	4,974,604
Change in fair value – Note 36.3	(317,670)	361,569
Balance at the end of the year (refer note 36.3)	14,668,754	14,011,173

During the previous year, the Group acquired two plots of land (right of use) located in Shuwaikh Industrial area in Kuwait for a consideration of KD3,812,000 which were financed through Ijara finance facilities from a local Islamic financial institution and, therefore, the ownerships of these plots are presently in the name of the lender and will be transferred to the Group upon settlement of the facility (refer note 29). In addition to this, there were additions during the current year amounting to KD927,304 (31 December 2024: KD891,992) which represents the value of the construction work executed on one of the investment properties owned by the Group.

16. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Local quoted securities	7,383,663	5,816,473
Local unquoted securities	10,489,235	11,785,182
Foreign quoted securities	3,598,391	3,306,008
Foreign unquoted securities	6,300,021	7,593,304
	27,771,310	28,500,967

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

Notes to the Consolidated Financial Statements (continued)

17. INVENTORIES AND SPARE PARTS

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Raw materials	6,406,698	8,022,932
Finished goods and work-in-progress	12,411,553	11,629,881
Spare parts	4,320,898	4,541,830
Goods in transit	526,635	1,258,162
	23,665,784	25,452,805
Provision for slow-moving inventories	(1,117,678)	(1,075,836)
	22,548,106	24,376,969

18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Managed funds and portfolios	2,110,131	1,840,739
Quoted equity securities	1,597,985	1,266,540
	3,708,116	3,107,279

19. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Financial assets:		
Trade receivables	9,848,787	9,186,600
Due from Ultimate Parent Company	244,967	343,679
Due from associates	1,438,514	980,447
Due from related parties	206,195	1,384,295
Staff receivables	285,536	354,877
Retentions	2,527,767	1,805,271
Accrued income and other assets	332,806	329,774
	14,884,572	14,384,943
Less: Provision for doubtful debts (See 19.1 below)	(2,968,256)	(2,669,133)
	11,916,316	11,715,810
Non-Financial assets:		
Prepayments	1,344,718	996,915
Advances to contractors and others	555,303	1,106,930
	1,900,021	2,103,845
	13,816,337	13,819,655

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

Notes to the Consolidated Financial Statements (continued)

19. Accounts receivable and other assets (continued)

19.1 Provision for doubtful debts (continued)

The expected credit loss for financial assets above at 31 December 2025 and 31 December 2024 was determined as follows:

	Not past due	More than 30 Days	More than 90 Days	More than 120 Days	More than one year*	Total
31 December 2025:						
Total carrying amount	6,475,519	2,460,083	625,754	1,083,283	4,239,933	14,884,572
Lifetime ECLs (KD)	(19,527)	(65,403)	(23,067)	(125,558)	(2,734,701)	(2,968,256)
Total financial assets	<u>6,455,992</u>	<u>2,394,680</u>	<u>602,687</u>	<u>957,725</u>	<u>1,505,232</u>	<u>11,916,316</u>
31 December 2024:						
Total carrying amount	5,014,517	2,175,558	583,243	945,570	5,666,055	14,384,943
Lifetime ECLs (KD)	(27,827)	(25,450)	(14,151)	(16,707)	(2,584,998)	(2,669,133)
Total financial assets	<u>4,986,690</u>	<u>2,150,108</u>	<u>569,092</u>	<u>928,863</u>	<u>3,081,057</u>	<u>11,715,810</u>

- * Trade receivables outstanding for more than one year include an amount of KD1,253,244 (31 December 2024: KD1,785,596) due from either Kuwait government related entities or government supported balances and Group's management considers that the credit risk related to these balances as low.

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Opening balance	2,669,133	2,052,687
Charged during the year	299,123	616,446
Closing balance	<u>2,968,256</u>	<u>2,669,133</u>

20. WAKALA INVESTMENTS

Wakala investments carry interest rates that varies from 3.88% to 4.68% (2024: 3.88% to 4.9%) per annum and mature within one year from the date of the consolidated statement of financial position.

21. CASH AND CASH EQUIVALENTS

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Cash and bank balances	2,653,278	2,975,459
Wakala investments with maturities less than 3 months	6,914,550	6,000,000
Less:		
Due to banks	-	(506,447)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	<u>9,567,828</u>	<u>8,469,012</u>

Due to banks carry an interest rate at 1.25% (31 December 2024: 1.25%) per annum above the CBK discount rate and are payable on demand. During the year, the Group settled the due to banks balance.

Notes to the Consolidated Financial Statements (continued)

22. SHARE CAPITAL AND SHARE PREMIUM

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Shares of KD0.100 each		
- Authorised	36,020,187	36,020,187
- Issued and fully paid in cash	<u>35,089,162</u>	<u>35,089,162</u>

Share premium is not available for distribution.

23. TREASURY SHARES

	31 Dec. 2025	31 Dec. 2024
Number of shares	5,090,653	1,754,611
Percentage of issued shares	1.451%	0.500%
Cost of treasury shares (KD)	1,070,790	299,420
Market value (KD)	1,053,765	298,284

During the year, the Parent Company issued 1,648,194 shares from treasury shares (2024: 930,660 shares) under the staff share-based payments scheme (note 32) at price ranging from KD0.160 to KD0.238 per share (2024: ranging from KD 0.160 to KD 0.192 per share).

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

24. RESERVES**Statutory reserve**

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

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

Voluntary reserve

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

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

Notes to the Consolidated Financial Statements (continued)

25. OTHER COMPONENTS OF EQUITY

	Fair value reserve K.D	Foreign currency translation reserve K.D	Total K.D
Balance at 1 January 2025	9,263,574	61,300	9,324,874
Exchange differences from translation of foreign operations	-	(3,003)	(3,003)
Equity investments at FVTOCI:			
- Net change in fair value arising during the year	(790,919)	-	(790,919)
Total other comprehensive loss for the year	(790,919)	(3,003)	(793,922)
Transfer of gain on disposal of equity investments at FVTOCI to retained earnings	(68,327)	-	(68,327)
Balance at 31 December 2025	8,404,328	58,297	8,462,625
Balance at 1 January 2024	5,124,456	141,488	5,265,944
Exchange differences from translation of foreign operations	-	(80,188)	(80,188)
Equity investments at FVTOCI:			
- Net change in fair value arising during the year	4,145,983	-	4,145,983
Total other comprehensive income/(loss) for the year	4,145,983	(80,188)	4,065,795
Transfer of gain on disposal of equity investments at FVTOCI to retained earnings	(6,865)	-	(6,865)
Balance at 31 December 2024	9,263,574	61,300	9,324,874

26. PROVISION FOR LAND-FILLING EXPENSES

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Opening balance	556,352	552,128
Charged during the year	12,000	4,224
Closing balance	568,352	556,352

Notes to the Consolidated Financial Statements (continued)

27. LEASE LIABILITIES

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

The minimum future lease payments as of 31 December 2025 and 31 December 2024 is as follows:

	Accrued minimum Future Rent Payments		Total K.D
	One Year K.D	Between 1 year and 5 years K.D	
31 December 2025:			
Lease payments	683,071	2,555,295	3,238,366
Finance costs	(36,111)	(151,023)	(187,134)
Net present values	<u>646,960</u>	<u>2,404,272</u>	<u>3,051,232</u>
31 December 2024:			
Lease payments	619,332	705,037	1,324,369
Finance costs	(33,464)	(89,112)	(122,576)
Net present values	<u>585,868</u>	<u>615,925</u>	<u>1,201,793</u>

28. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Trade payables	5,698,067	4,224,240
Advance received from customers	2,360,286	3,740,846
Staff payables	207,789	133,207
Provision for staff leave	994,108	1,049,503
Accrued expenses and other provisions (See A below)	8,158,998	6,902,322
Due to customers for contract works	39,202	69,895
Other liabilities	1,365,254	1,207,638
	<u>18,823,704</u>	<u>17,327,651</u>

A) The management of the Parent Company is currently working on the renewal of the lease of a plot of land that expired on 1 July 2019 in Al-Shuwaikh area in Kuwait. The Parent Company made accrual of the rental value of that contract for the period from the date of expiration to the date of the consolidated financial statements until the renewal of the contract.

29. IJARA PAYABLES

During the previous year, the Group had entered into two Ijara financing facilities (lease-to-own contracts) with a local Islamic financial institution amounting to KD1,700,000 to purchase investment properties. The facilities are short term and will mature on 21 April 2026. The profit rate is 1.1% per annum above the discount rate of the Central Bank of Kuwait. During the current year, the Group paid an amount of KD340,000 from these facilities.

Notes to the Consolidated Financial Statements (continued)

30. OPERATING SEGMENTS

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

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

	Building materials and contracting services		Oil sector		Real estate		Investments		Total	
	31 Dec. 2025 K.D	31 Dec. 2024 K.D	31 Dec. 2025 K.D	31 Dec. 2024 K.D	31 Dec. 2025 K.D	31 Dec. 2024 K.D	31 Dec. 2025 K.D	31 Dec. 2024 K.D	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Segment revenue	41,050,727	42,931,083	13,707,358	11,281,891	420,136	988,852	2,182,771	1,305,723	57,360,992	56,507,549
(Deduct)/Add:										
Other operating income									(821,640)	(598,454)
Investment income									(2,273,129)	(2,522,052)
Reversal of provision no longer required									-	(2,133,342)
Share of results of associates									325,358	158,768
(Reversal of impairment)/impairment loss in value of an associate									(235,000)	85,000
Foreign currency exchange loss/(gain)									11,038	(75,968)
Revenue from sales and customer contracts as per consolidated statement of profit or loss									54,367,619	51,421,501
Segment results	2,087,606	4,994,263	1,652,754	925,776	285,148	847,616	406,091	(100,926)	4,431,599	6,666,729
	2,087,606	4,994,263	1,652,754	925,776	285,148	847,616	406,091	(100,926)	4,431,599	6,666,729
Unallocated expenses									(330,678)	(406,507)
Profit for the year as per consolidated statement of profit or loss									4,100,921	6,260,222
Depreciation and amortisation	3,322,847	3,827,275	818,105	777,674	40,508	36,429	178,465	165,389	4,359,925	4,806,767
Total assets	41,301,291	41,680,967	7,929,609	6,350,062	15,175,321	14,493,617	60,461,621	60,677,075	124,867,842	123,201,721
Total liabilities	21,201,720	18,675,304	2,598,970	2,431,206	1,659,187	1,986,134	6,467,480	6,242,694	31,927,357	29,335,338
Net assets	20,099,571	23,005,663	5,330,639	3,918,856	13,516,134	12,507,483	53,994,141	54,434,381	92,940,485	93,866,383

Notes to the Consolidated Financial Statements (continued)

31. PROPOSED DIVIDENDS AND GENERAL ASSEMBLY OF THE SHAREHOLDERS

Subject to the requisite consent of the relevant authorities and approval of the shareholders' general assembly, the directors of the Parent Company propose to distribute cash dividends of 10% or 10 Fils per share from the paid-up share capital for the year ended 31 December 2025 and to pay a remuneration of KD137,000 to the board of directors for the year ended 31 December 2025.

The annual general assembly of the Parent Company's shareholders held on 26 March 2025 approved the consolidated financial statements for the financial year ended 31 December 2024. Furthermore, it approved the board of directors' proposal to distribute cash dividends of 10% or 10 Fils per share from the paid-up share capital for the year ended 31 December 2024, and to pay a remuneration of KD150,000 to the board of directors for the year ended 31 December 2024.

The annual general assembly of the Parent Company's shareholders held on 17 April 2024 approved the consolidated financial statements for the financial year ended 31 December 2023. Furthermore, it approved the board of directors' proposal to distribute cash dividends of 10% or 10 Fils per share from the paid-up share capital for the year ended 31 December 2023 and to pay a remuneration of KD150,000 to the board of directors for the year ended 31 December 2023.

32. SHARE-BASED PAYMENT

Under the senior executive plan, share options of the Parent Company are granted to certain senior executives of the Parent Company. The shareholders at the annual general assembly held on 21 April 2022, approved the employee stock option program (2022 - 2026), and the allocation of 10 million shares from the treasury shares available to the Parent Company as bonus shares to be distributed to the employees over a period of five years from 2022 until 2026.

The scheme is part of the remuneration package of the Group's senior management. The scheme continues for a five-year period under which a maximum of 10,000,000 will be granted to the participants over that period. Options under the scheme will vest if certain conditions, as defined in the scheme, are met. It is based on the performance of the scheme participants and the options vests at the end of each fiscal year based on a pre-determined formula. Participants have to be employed until the end of each of the five-year vesting period. Upon vesting, each option allows the holder to receive one share at no cost.

The expense recognised for services provided by employees under the senior executive plan amounted to KD383,407 (2024: KD237,072) during the year. The carrying amount of the liability relating to the plan at 31 December 2025 was KD314,443 (2024: KD303,107) shown under staff bonus reserve in equity.

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

	31 Dec. 2025		31 Dec. 2024	
	Share options Shares	WAEP KD	Share options Shares	WAEP KD
Opening balance	1,759,195	0.172	1,208,153	0.186
Granted during the year	1,610,954	0.238	1,481,702	0.160
Exercised during the year	(1,827,003)	0.204	(930,660)	0.170
Outstanding at 31 December – note 12	1,543,146	0.204	1,759,195	0.172

Notes to the Consolidated Financial Statements (continued)

33. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Amounts included in the consolidated financial position:		
Due from Ultimate Parent Company (net of impairment provisions)	-	154,656
Due from related parties (net of impairment provisions)	203,721	1,384,295
Due from associates (net of impairment provisions)	490,689	164,761
Due to related party (included in accounts payable and other liabilities)	777,842	287,051

	Year ended 31 Dec. 2025 K.D	Year ended 31 Dec. 2024 K.D
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials – from related parties	631,725	677,190
Impairment in value of receivables and other assets	187,421	374,409
Interest income	-	160,399

Compensation of key management personnel of the Parent Company

Board of Directors' remuneration	137,000	150,000
Short term benefits	139,718	137,978
End of service benefits	21,311	23,834
Cost of share-based payments	383,407	237,072
	681,436	548,884

34. CONTINGENT LIABILITIES

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Letters of guarantee issued	12,898,791	10,259,886
Letters of guarantee issued from ultimate Parent Company	200,000	200,000
	13,098,791	10,459,886

Notes to the Consolidated Financial Statements *(continued)***34. Contingent liabilities** *(continued)***A) Legal claim made by a government owned entity**

In a previous year, the Parent Company received a letter from one of the government owned entities which supplies gas to one of the factories of the Group demanding payment for usage of gas for 2004 till 2011. The Group rejected this claim on several grounds, inter alia, there has never been agreement to pay for gas usage for that period because the factory was relocated at that place on the government's request wherein the government had promised provision of land, electricity and gas. Further, no invoice was ever issued to the Group in that period. The supplier filed a legal case against the Parent Company claiming its right to recover the amount for the gas usage. The court in its first hearing transferred the case to the Expert's department. Subsequently, the court of 1st Instance issued a ruling ordering the Parent Company to pay an amount of USD9.3 Million to the plaintiff. Accordingly, the Parent Company recorded a provision against this liability, during the year ended 31 December 2016, amounting to KD2.7 Million within accounts payable and other liabilities, also, the Parent Company appealed the ruling.

The Court of Appeal has changed the amount from USD 9.3 Million to become USD 1.9 Million, however the ruling was appealed. During the previous year, the Court of Cassation rejected the appeal and ruled in favour of the government owned entity and obligated the Parent Company to pay an amount of USD1,867,977 equivalent to KD566,658, and this amount was paid during the previous year by issuing a certified cheque in the name of the Enforcement Department of the Ministry of Justice and the cheque was deposited in the execution file for the case. Consequently, during the previous year, the Parent Company reversed an amount of KD2,133,342 from the previously recorded provision against this liability and this reversal of provision was recognised as income in the consolidated statement of profit or loss for the previous year.

B) Legal claim made by Public Authority for Industry in Kuwait

During the year 2023, the General Manager of the Public Authority for Industry in Kuwait (in his capacity) filed a legal case against the Parent Company requesting the eviction of the Parent Company from a non-contracted plot of land (which is an industrial land included within the land on which the Parent Company's factories are erected) which has an area of 402,000 square meters located in the Western Shuaiba Industrial Area, and claiming that the Parent Company is obligated to pay a total amount of KD16,184,520 for utilizing the aforementioned area since 1 April 2007 along with any fees that may arise for the requesting Authority plus the expenses and attorney's fees. The Parent Company's management (after consulting with external legal counsel) believes that it is not obligated to pay any financial liabilities on that land due to the absence of any contracts with the above government entity in this regard. The information usually required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The Parent Company, is planning to strongly contest the above claim and after consulting with their external legal counsel, believes that the claim can be successfully countered by the Group. During the current year, the Court of First Instance issued a ruling in favor of the Public Authority for Industry, ordering the Parent Company to vacate the 402,000 square meters located in the Western Shuaiba Industrial Area, which is owned by the Authority, and to pay an amount of KD3,470,600, in addition to daily rent of KD1,377 effective from 1 April 2024 until the evacuation is completed, along with attorney's fees. This ruling, however, has no financial impact on the Group's consolidated financial statements, as an adequate provision has already been recognized to cover this obligation. The case is currently under review before the Court of Appeal, and the hearing is scheduled for 11 March 2026.

Notes to the Consolidated Financial Statements (continued)

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

35.1 MARKET RISK**a. Foreign currency risk**

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

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

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
US Dollar	490,221	347,884
Omani Riyal	1,144,415	757,043
Pound Sterling	582	861
Euro	(153,315)	(205,797)
UAE Dirham	760,331	618,335
Bahraini Dinar	1,477	157,551

The foreign currency sensitivity is determined assuming 5% (2024: 5%) reasonably possible increase or decrease in exchange rates for monetary financial assets and liabilities.

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

	Profit for the year	
	31 Dec. 2025 K.D	31 Dec. 2024 K.D
US Dollar	±24,511	±17,394
Other currencies	±87,675	±66,400

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

Notes to the Consolidated Financial Statements (continued)

35. Risk management objectives and policies (continued)

35.1 Market risk (continued)

b. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk mainly with respect to Wakala investments, Ijara payables and due to banks.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2024: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2025		31 Dec. 2024	
	+1% K.D	-1% K.D	+1% K.D	-1% K.D
Profit for the year	168,546	(168,546)	145,936	(145,936)

c. Price risk

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

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

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

	31 Dec. 2025	31 Dec. 2024
Kuwait market	5%	5%
Other international markets	10%	10%

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

	Profit for the year		Equity	
	31 Dec. 2025 K.D	31 Dec. 2024 K.D	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Investments at fair value through profit or loss	155,932	126,208	-	-
Investments at fair value through other comprehensive income	-	-	729,022	621,424
Total	155,932	126,208	729,022	621,424

Notes to the Consolidated Financial Statements (continued)

35. Risk management objectives and policies (continued)

35.2 CREDIT RISK

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

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Bank balances	2,584,254	2,885,050
Wakala investments	18,214,550	16,800,000
Accounts receivable and other assets (note 19)	11,916,316	11,715,810
Investments at fair value through profit or loss*	2,110,131	1,840,739
Investments at fair value through other comprehensive income*	23,603,350	23,133,837
	58,428,601	56,375,436

*Includes only investments held within management portfolios.

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

35.3 LIQUIDITY RISK

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

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

	Up to 1 month K.D	1-3 months K.D	3-12 months K.D	1 year K.D	Total K.D
As at 31 December 2025					
Ijara payables	-	-	1,360,000	-	1,360,000
Lease liabilities	-	57,915	625,156	2,555,295	3,238,366
Accounts payable and other liabilities	4,047,096	5,120,047	9,656,561	-	18,823,704
	<u>4,047,096</u>	<u>5,177,962</u>	<u>11,641,717</u>	<u>2,555,295</u>	<u>23,422,070</u>
As at 31 December 2024					
Due to banks	506,447	-	-	-	506,447
Ijara payables	-	-	1,700,000	-	1,700,000
Lease liabilities	-	57,915	561,418	705,036	1,324,369
Accounts payable and other liabilities	3,677,405	4,664,739	8,985,507	-	17,327,651
	<u>4,183,852</u>	<u>4,722,654</u>	<u>11,246,925</u>	<u>705,036</u>	<u>20,858,467</u>

Notes to the Consolidated Financial Statements (continued)

36. FAIR VALUE MEASUREMENT**36.1 FAIR VALUE HIERARCHY**

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

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

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

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

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

36.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Financial assets:		
<i>Financial assets at amortised cost:</i>		
Cash and bank balances	2,653,278	2,975,459
Wakala investments	18,214,550	16,800,000
Accounts receivable and other assets (note 19)	11,916,316	11,715,810
<i>Financial assets at fair value:</i>		
Investments at fair value through profit or loss	3,708,116	3,107,279
Investments at fair value through other comprehensive income	27,771,310	28,500,967
	<u>64,263,570</u>	<u>63,099,515</u>
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
Due to banks	-	506,447
Ijara payables	1,360,000	1,700,000
Lease liabilities	3,051,232	1,201,793
Accounts payable and other liabilities	18,823,704	17,327,651
	<u>23,234,936</u>	<u>20,735,891</u>

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

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

Notes to the Consolidated Financial Statements (continued)

36. Fair value measurement (continued)

36.2 Fair value measurement of financial instruments (continued)

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

	Note	Level 1 K.D	Level 2 K.D	Level 3 K.D	Total K.D
31 December 2025					
Investments at fair value through profit or loss					
Quoted equity securities	a	1,597,985	-	-	1,597,985
Managed funds and portfolios	b	760,331	1,349,800	-	2,110,131
Total		2,358,316	1,349,800	-	3,708,116
Investments at fair value through other comprehensive income					
Local quoted securities	a	7,383,663	-	-	7,383,663
Local unquoted securities	c	-	-	10,489,235	10,489,235
Foreign quoted securities	a	3,598,391	-	-	3,598,391
Foreign unquoted securities	c	-	1,770,000	4,530,021	6,300,021
Total		10,982,054	1,770,000	15,019,256	27,771,310
Total		13,340,370	3,119,800	15,019,256	31,479,426
31 December 2024					
Investments at fair value through profit or loss					
Quoted equity securities	a	1,266,540	-	-	1,266,540
Managed funds and portfolios	b	628,805	1,211,934	-	1,840,739
Total		1,895,345	1,211,934	-	3,107,279
Investments at fair value through other comprehensive income					
Local quoted securities	a	5,816,473	-	-	5,816,473
Local unquoted securities	c	-	-	11,785,182	11,785,182
Foreign quoted securities	a	3,306,008	-	-	3,306,008
Foreign unquoted securities	c	-	1,698,000	5,895,304	7,593,304
Total		9,122,481	1,698,000	17,680,486	28,500,967
Total		11,017,826	2,909,934	17,680,486	31,608,246

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

Measurement at fair value

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

a) Quoted securities

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

b) Managed funds and portfolios

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

Notes to the Consolidated Financial Statements (continued)

36. Fair value measurement (continued)

36.2 Fair value measurement of financial instruments (continued)

c) Unquoted securities

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

d) Financial liabilities

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

Level 3 fair value measurements

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Opening balance	17,680,486	14,326,614
Other comprehensive (loss)/income	(2,707,417)	3,533,564
Additions	46,187	920,900
Transferred out level 3	-	(869,940)
Reduction in share capital / Sale	-	(230,652)
Closing balance	<u>15,019,256</u>	<u>17,680,486</u>

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

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

The level 3 investments have been fair valued as follows:

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

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

Notes to the Consolidated Financial Statements (continued)

36. Fair value measurement (continued)

36.3 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2025 and 31 December 2024:

	Level 1 K.D	Level 2 K.D	Level 3 K.D	Total K.D
31 December 2025				
Building on freehold land - in Kuwait	-	-	1,885,000	1,885,000
Buildings on industrial plots* – in Kuwait	-	-	7,310,000	7,310,000
Industrial plot* – in Kuwait	-	-	5,175,000	5,175,000
Industrial plot* – outside Kuwait	-	-	298,754	298,754
	<u>-</u>	<u>-</u>	<u>14,668,754</u>	<u>14,668,754</u>
31 December 2024				
Building on freehold land - in Kuwait	-	-	1,750,000	1,750,000
Building on industrial plot* – in Kuwait	-	-	7,630,000	7,630,000
Industrial plot* – in Kuwait	-	-	4,175,000	4,175,000
Industrial plot* – outside Kuwait	-	-	456,173	456,173
	<u>-</u>	<u>-</u>	<u>14,011,173</u>	<u>14,011,173</u>

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

Investment properties

The fair values of all investment properties have been determined based on valuations obtained from independent and accredited valuers for each investment property, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. As of 31 December 2025, for the valuation purpose, the Group has used two valuations for each local property (selecting the lower value of the valuations obtained for each investment property) and one evaluation for the foreign property. The fair values of the rental buildings have been determined based on the fair value provided by independent and accredited valuers who have valued the investment properties using income approach which capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value.

When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas. The fair values of the Industrial plots have been determined based on market comparison approach. When the market comparison approach is used, adjustments have been incorporated for factors specific to the properties in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property..

Notes to the Consolidated Financial Statements (continued)

36. Fair value measurement (continued)

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

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

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building on freehold land	Estimated rental stream approach	Economic rental value/square meter	KD2,493 to KD2,513 (2024: KD2,315 to KD2,368)	Fair value increases if economic rental value increases, and vice versa.
Buildings on industrial plots	Estimated rental stream approach	Economic rental value/square meter	KD486 to KD1,167 (2024: KD513 to KD1,225)	Fair value increases if economic rental value increases, and vice versa.
Industrial plots	Market comparison approach	Price per square meter	KD103 to KD1,346 (2024: KD158 to KD1,057)	Fair value increases if price per square meter increases, and vice versa.

37. CAPITAL MANAGEMENT OBJECTIVES

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

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

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

	31 Dec. 2025 K.D	31 Dec. 2024 K.D
Profit for the year attributable to the owners of the Parent Company	3,586,147	6,059,494
Total equity attributable to the owners of the Parent Company	91,584,826	93,025,498
Return on equity	3.9%	6.5%

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