INTEGRATED HOLDING COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

Building a better working world

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INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Integrated Holding Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Allowance for expected credit losses (ECL) on trade and retention receivables	
Key audit matter	**How the key audit matter was addressed in the audit**
As at 31 December 2023, trade and retention receivables amounted to KD 12,692,795 representing 12% of total assets. The Group applies a simplified approach in calculating ECL for trade and retention receivables by establishing a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter.	Our procedures included, among others, the following: ▶ We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information; ▶ We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report; ▶ Further, in order to evaluate the appropriateness of management judgements, we verified on a sample basis, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.; and ▶ We also considered the adequacy of the Group's disclosures relating to the ECL in Note 12, management's assessment of the credit risk and their responses to such risks in Note 21 to the consolidated financial statements.

Other information included in the Group's 2023 Annual Report

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2023 Annual Report (continued)

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

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

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

In preparing the consolidated financial statements, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (continued)

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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority ("CMA") and organisation of security activity and its executive regulations, as amended, during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL ABDULJADER
LICENCE NO. 207-A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)

28 March 2024
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

	Notes	***2023*** ***KD***	*2022* *KD*
Revenue from contracts with customers	3	**31,457,534**	24,729,797
Cost of sales	4	**(21,089,453)**	(19,030,344)
GROSS PROFIT		**10,368,081**	5,699,453
General and administrative expenses	5	**(3,804,792)**	(2,985,848)
Allowance for provision for expected credit losses	11	**(1,271,901)**	(226,075)
OPERATING PROFIT		**5,291,388**	2,487,530
Finance costs		**(1,451,017)**	(717,347)
Other income, net	6	**707,015**	1,672,905
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		**4,547,386**	3,443,088
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		**(41,244)**	(31,023)
National Labour Support Tax ("NLST")		**(97,226)**	(86,156)
Zakat		**(39,207)**	(34,464)
Income tax on overseas operations	7	**(215,074)**	(70,511)
Directors' remuneration		**(54,000)**	(54,000)
PROFIT FOR THE YEAR		**4,100,635**	3,166,934
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	8	**16.21 Fils**	12.52 Fils

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	2023	*2022*
	KD	*KD*
PROFIT FOR THE YEAR	**4,100,635**	3,166,934
Other comprehensive income		
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Foreign currency translation loss recycled to profit or loss upon liquidation of a foreign subsidiary	-	13,117
Exchange differences on translation of foreign operations	**124,979**	202,437
Other comprehensive income for the year	**124,979**	215,554
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,225,614**	3,382,488

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	*2023* *KD*	*2022* *KD*
ASSETS			
Non-current assets			
Property and equipment	9	**82,861,817**	70,171,488
Right-of-use assets	10	**519,390**	539,144
Intangible assets		**711,674**	711,568
Deferred tax asset	7	**271,150**	238,159
		84,364,031	71,660,359
Current assets			
Inventories		**1,118,991**	1,039,597
Trade and other receivables	11	**14,864,910**	12,766,583
Bank balances and cash	12	**2,229,279**	3,391,718
		18,213,180	17,197,898
TOTAL ASSETS		**102,577,211**	88,858,257
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**25,300,000**	25,300,000
Statutory reserve	13	**10,478,541**	10,023,802
Foreign currency translation reserve	13	**311,636**	186,657
Retained earnings		**26,998,742**	27,147,846
Total equity		**63,088,919**	62,658,305
Non-current liabilities			
Loans and borrowings	14	**18,148,236**	9,374,978
Employees' end of service benefits	15	**2,067,861**	2,040,700
Lease liabilities	10	**553,963**	603,198
		20,770,060	12,018,876
Current liabilities			
Trade and other payables	16	**4,348,135**	4,091,822
Loans and borrowings	14	**14,268,427**	10,036,557
Lease liabilities	10	**101,670**	52,697
		18,718,232	14,181,076
Total liabilities		**39,488,292**	26,199,952
TOTAL EQUITY AND LIABILITIES		**102,577,211**	88,858,257

Mohammad Nasser Abdulaziz Al Fouzan
Chairman

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital KD	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total equity KD*
As at 1 January 2023	**25,300,000**	**10,023,802**	**186,657**	**27,147,846**	**62,658,305**
Profit for the year	-	-	-	4,100,635	4,100,635
Other comprehensive income	-	-	124,979	-	124,979
Total comprehensive income	-	-	124,979	4,100,635	4,225,614
Transfer to statutory reserve	-	454,739	-	(454,739)	-
Cash dividends (Note 13)	-	-	-	(3,795,000)	(3,795,000)
At 31 December 2023	**25,300,000**	**10,478,541**	**311,636**	**26,998,742**	**63,088,919**
As at 1 January 2022	25,300,000	9,679,493	(28,897)	26,855,221	61,805,817
Profit for the year	-	-	-	3,166,934	3,166,934
Other comprehensive income	-	-	215,554	-	215,554
Total comprehensive income	-	-	215,554	3,166,934	3,382,488
Transfer to statutory reserve	-	344,309	-	(344,309)	-
Cash dividends (Note 13)	-	-	-	(2,530,000)	(2,530,000)
At 31 December 2022	25,300,000	10,023,802	186,657	27,147,846	62,658,305

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	***2023*** ***KD***	*2022* *KD*
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		**4,547,386**	3,443,088
Adjustments to reconcile profit before tax and director's remuneration to net cash flows:			
Depreciation of property and equipment	9	**9,566,860**	9,023,228
Depreciation of right-of-use assets	10	**73,902**	67,045
Gain on disposal of items of property and equipment	6	**(202,794)**	(1,250,914)
Gain on lease modification		**(406)**	-
Provision for employees' end of service benefits	15	**205,855**	226,050
Impairment of goodwill		-	116,080
Allowance for expected credit losses on trade receivables	6	**1,271,901**	226,075
Finance costs		**1,451,017**	717,347
Net foreign exchange difference		**(29,585)**	(203,730)
		16,884,136	12,364,269
Working capital changes:			
Inventories		**(79,394)**	(110,281)
Trade and other receivables		**(3,385,904)**	(626,703)
Trade and other payables		**(126,261)**	(8,576,081)
Cash flows from operations		**13,292,577**	3,051,204
Directors' remuneration paid		**(54,000)**	-
Employees' end of service benefits paid	15	**(180,497)**	(216,143)
Taxes paid		**(179,710)**	(56,481)
Net cash flows from operating activities		**12,878,370**	2,778,580
INVESTING ACTIVITIES			
Purchase of items of property and equipment	9	**(22,155,800)**	(3,565,865)
Proceeds from disposal of items of property and equipment	9	**248,736**	1,264,904
Net cash flows used in investing activities		**(21,907,064)**	(2,300,961)
FINANCING ACTIVITIES			
Finance costs paid		**(1,249,354)**	(544,224)
Payment of lease liabilities	10	**(92,834)**	(43,326)
Dividends paid	13	**(3,795,000)**	(2,530,000)
Proceeds from borrowings	14	**19,657,048**	900,000
Repayment of borrowings	14	**(6,399,019)**	(1,691,540)
Net cash flows from (used in) financing activities		**8,120,841**	(3,909,090)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(907,853)**	(3,431,471)
Net foreign exchange differences		**(1,685)**	24,066
Cash and cash equivalents at 1 January		**3,138,817**	6,546,222
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**2,229,279**	3,138,817

Non-cash transactions excluded from the consolidated statement of cash flows:

Additions to right-of-use assets and lease liabilities	10	-	(19,574)
Additions to lease liabilities		-	19,574

The attached notes 1 to 22 form part of these consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Integrated Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 28 March 2024 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The shareholders of the Parent Company at the AGM held on 30 April 2023 approved the consolidated financial statements for the year ended 31 December 2022. Dividends proposed and paid by the Group for the year then ended are provided in Note 13.

The Parent Company is incorporated in the State of Kuwait on 4 June 2005 and is listed on Boursa Kuwait. The Parent Company's head office is located at Building 7, Block 6, East Ahmadi and its registered postal address is P.O. 750, Dasman 15458, Kuwait.

The primary objectives of the Parent Company as per its articles and memorandum of incorporation are, as follows:

- Acquiring shares in Kuwaiti or foreign shareholding companies as well as acquisition of shares in Kuwaiti or foreign companies with limited lability or participate in the incorporation of such two type of companies and management thereof and guaranteeing them with third parties;
- Lending money to the companies in which it holds shares. In such case, the Parent Company's share in the capital of the borrower company is not less than 20%;
- Acquiring industrial property rights including patents, trademarks, industrial marks or industrial drawings or other rights related thereto and lease the same to other companies for use inside or outside Kuwait;
- Acquiring necessary movable and immoveable properties for carrying out its business to the extend permitted by the law; and
- Utilising the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialised companies and entities.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in note 19.

1.2 GROUP INFORMATION

Subsidiaries
The consolidated financial statements of the Group include:

Entity	*Country of incorporation*	*Effective ownership%* 2023	2022	*Principal activities*
Direct subsidiaries				
Integrated Logistics Company K.S.C. (Closed) *	Kuwait	**100%**	100%	Logistics service
Integrated Heavy Lift Company K.S.C. (Closed)	Kuwait	**100%**	100%	Logistics service
Integrated Logistics Company W.L.L.	Qatar	**100%**	100%	Logistics service
Integrated Project Company K.S.C. (Closed)	Kuwait	**100%**	100%	Infrastructure contracting
Integrated Equipment Company W.L.L.	Qatar	**100%**	100%	Logistics service
Integrated Logistics Company S.P.C *#	KSA	**100%**	-	Logistics service
Indirect subsidiaries held through Integrated Project Company K.S.C. (Closed)				
Techno Service General Trading Company W.L.L.	Kuwait	**100%**	100%	General trading and contracting

1 CORPORATE AND GROUP INFORMATION (continued)

1.2 GROUP INFORMATION (continued)

* Certain shares in the subsidiary are registered in the names of nominees on the behalf of the Parent Company and there are letters of renunciation in favour of the Group confirming that it is ultimate beneficiary of the remaining equity interest. Therefore, the effective holding of the Group in the subsidiary is 100%.

On 2 March 2023, Integrated Logistics Company S.P.C ("ILC KSA") was incorporated in the Kingdom of Saudi Arabia with a share capital of SAR 5,000,000. The subsidiary has not commenced its commercial operations as at the reporting date.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

The consolidated financial statements have been prepared on a historical cost basis.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. 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 derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 *Insurance Contracts*
IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group’s consolidated financial statements.

Definition of Accounting Estimates – *Amendments to IAS 8*
The amendments to IAS 8, clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s consolidated financial statements.

Disclosure of Accounting Policies – *Amendments to IAS 1 and IFRS Practice Statement 2*
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – *Amendments to IAS 12*
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group’s consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – *Amendments to IAS 12*
The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the consolidated financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group’s consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Lease Liability in a Sale and Leaseback – *Amendments to IFRS 16*
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Classification of Liabilities as Current or Non-current – *Amendments to IAS 1*
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements – *Amendments to IAS 7 and IFRS 7*
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of consolidated financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2.5 MATERIAL ACCOUNTING POLICIES

2.5.1 Business combinations and acquisition of non-controlling interests
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.1 Business combinations and acquisition of non-controlling interests (continued)

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.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.5.2 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised**.**

Equipment hire and transportation services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period because the customer receives and uses the benefits simultaneously. This is determined based on the actual rental hours spent.

There is no contracts which include multiple deliverables. It is therefore accounted for as a single performance obligation.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.2 Revenue recognition (continued)

The contracts include an hourly fee and revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

The Group normal business operations consist of the provision of equipment hire and transportation services. For sales of services i.e., equipment hire and transportation, revenue is recognised in the accounting period in which the control is transferred.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

<u>Contract balances</u>
Contract assets
A Contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before the payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.5.3 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from the profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

National Labour Support Tax
NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

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

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.3 Taxes (continued)

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

2.5.4 Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and/or any accumulated impairment losses, if any. Freehold land is measured at cost and is not depreciated.

Depreciation on other assets is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

► Buildings	25 to 30	years
► Fleet	5 to 20	years
► Machinery	5	years
► Equipment and tools	5 to 10	years
► Motor vehicles	5	years
► Furniture and fixtures	5	years

Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised are recognised in profit or loss as incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included consolidated statement of profit or loss when the asset is derecognised.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.4 Property and equipment (continued)

The residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.5.5 Leases

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets.

(i) Right-of-use asset

The Group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset are depreciated on a straight-line basis over the shorter of the estimated useful life and lease term of assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use asset are subject to impairment. Refer to the accounting policies in section ‘2.5.7 Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.5.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.6 Intangible assets
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy “Business combinations and goodwill”.

Leasehold rights
Leasehold rights represent utilisation of rights for the leasehold hand taken on lease from the government. The leasehold rights are assumed to have an indefinite useful life and are subject to impairment testing on at least an annual basis.

2.5.7 Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group’s cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.7 Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.5.8 Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on weighted average basis
- Finished goods: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make sale.

2.5.9 Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group has not designated any financial assets as at fair value and financial assets at amortised cost is more relevant to the Group.

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Group's financial assets (accounts receivable and bank balances) meet these conditions, they are subsequently measured at amortised cost.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for corporate customers that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include lease liabilities, account payables and other payables, loans and borrowings including bank overdrafts.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade payables, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Loans and borrowings
After initial recognition, profit-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)
This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 14.

Accounts payable and accruals
Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition
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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

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

2.5.10 Employees' end of service benefits

Local
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment. The Group's obligations are limited to these contributions which are expensed when due.

Further, with respect to its national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

International
The Group provides end of service benefits to all its international employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment. The Group's obligations are limited to these contributions which are expensed when due.

2.5.11 Foreign currencies
The Group's consolidated financial statements are presented in Kuwaiti Dinar (KD), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.11 Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.5.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.5.13 Contingencies

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.

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

2.5.14 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers, distribution methods and nature of regulatory environment where appropriate are aggregated and reported as reportable segments.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.15 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5.16 Fair value measurement

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.5.17 Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.5.18 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.6.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

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 technological obsolescence that may change the utility of certain software and IT equipment.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Provision for expected credit losses of trade and other receivables
The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December 2023				
	Equipment hire KD	***Transportation KD***	***Sales of goods KD***	***Other revenue KD***	***Total KD***
Type of goods or service					
Rendering of services	**29,950,140**	**555,740**	**-**	**498,404**	**31,004,284**
Sale of goods	**-**	**-**	**453,250**	**-**	**453,250**
	29,950,140	**555,740**	**453,250**	**498,404**	**31,457,534**
Geographical markets					
Kuwait	**16,388,668**	**341,548**	**453,250**	**498,404**	**17,681,870**
Outside Kuwait	**13,561,472**	**214,192**	**-**	**-**	**13,775,664**
	29,950,140	**555,740**	**453,250**	**498,404**	**31,457,534**
Timing of revenue recognition					
Services transferred over time	**29,950,140**	**555,740**	**-**	**498,404**	**31,004,284**
Goods transferred at a point in time	**-**	**-**	**453,250**	**-**	**453,250**
	29,950,140	**555,740**	**453,250**	**498,404**	**31,457,534**

	For the year ended 31 December 2022				
	Equipment hire KD	*Transportation KD*	*Sales of goods KD*	*Other revenue KD*	*Total KD*
Type of goods or service					
Rendering of services	23,502,909	732,501	-	271,511	24,506,921
Sale of goods	-	-	222,876	-	222,876
	23,502,909	732,501	222,876	271,511	24,729,797
Geographical markets					
Kuwait	10,983,351	732,501	222,876	271,511	12,210,239
Outside Kuwait	12,519,558	-	-	-	12,519,558
	23,502,909	732,501	222,876	271,511	24,729,797
Timing of revenue recognition					
Services transferred over time	23,502,909	732,501	-	271,511	24,506,921
Goods transferred at a point in time	-	-	222,876	-	222,876
	23,502,909	732,501	222,876	271,511	24,729,797

4 COST OF SALES

	2023	*2022*
	KD	*KD*
Depreciation of property and equipment (Note 9)	**9,400,625**	8,839,102
Staff costs	**6,360,483**	6,196,073
Fleet consumables and maintenance	**2,316,832**	2,206,636
Inventories recognised as expense upon sale of goods	**345,795**	161,664
Expense relating to short-term leases and low-value assets (Note 10)	**518,182**	453,369
Mobilisation costs	**337,245**	6,677
Sub-contracting expenses	**1,262,959**	676,653
Other direct costs	**547,332**	490,170
	21,089,453	19,030,344

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	*2022*
	KD	*KD*
Staff costs	**2,217,382**	1,632,326
Depreciation of property and equipment (Note 9)	**166,233**	184,126
Expense relating to short-term leases and low-value assets (Note 10)	**55,337**	44,505
Depreciation of right-of-use assets (Note 10)	**73,903**	67,045
Other administrative expenses	**1,291,937**	1,057,846
	3,804,792	2,985,848

6 OTHER INCOME, NET

	2023	*2022*
	KD	*KD*
Gain on disposal of property and equipment (Note 9)	**202,794**	1,250,914
Miscellaneous income	**474,636**	334,341
Net foreign exchange gain	**29,585**	203,730
Impairment of goodwill	-	(116,080)
	707,015	1,672,905

7 INCOME TAX

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

Consolidated statement of profit or loss	***2023***	*2022*
	KD	*KD*
Current income tax:		
Current income tax charge	**(232,813)**	(178,120)
Deferred tax:		
Relating to origination and reversal of temporary differences	**17,739**	(14,803)
Reversal of excess liability	-	122,412
Income tax expense reported in the consolidated statement of profit or loss	**(215,074)**	(70,511)

7 INCOME TAX (continued)

Deferred tax
Deferred tax relates to the following:

	Consolidated statement of financial position		*Consolidated statement of profit or loss*	
	2023	*2022*	***2023***	*2022*
	KD	*KD*	***KD***	*KD*
Expected credit losses of debt financial assets	**227,645**	218,288	**(1,768)**	15,941
End of service benefits	**32,045**	22,564	**9,335**	3,716
Leave provision	**15,096**	11,005	**4,021**	889
Unrealised foreign exchange loss	**(3,636)**	(13,698)	**8,473**	(26,689)
Deferred tax benefit				
Deferred tax asset, net	**271,150**	238,159	**20,061**	(6,143)

8 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2023	*2022*
Profit for the year attributable to shareholders of the Parent Company (KD)	**4,100,635**	3,166,934
Weighted average number of shares outstanding (shares)	**253,000,000**	253,000,000
Basic and diluted EPS (Fils)	**16.21**	12.52

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this consolidated financial statement which would require the restatement of EPS.

9 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings KD*	*Fleet KD*	*Machinery KD*	*Equipment & tools KD*	*Motor vehicles KD*	*Furniture and fixtures KD*	*Capital work in progress KD*	*Total KD*
Cost:									
At 1 January 2022	293,593	2,620,417	139,260,882	2,420,168	4,131,253	2,010,787	137,578	4,287,523	155,162,201
Additions	-	-	1,585,270	491	290,714	158,796	174	1,530,420	3,565,865
Transfers	-	-	4,183,369	-	132,674	25,067	-	(4,341,110)	-
Disposals	-	-	(4,877,103)	(126,107)	-	(125,083)	(400)	-	(5,128,693)
Exchange differences	4,036	18,178	374,535	1,291	9,180	3,719	198	54,183	465,320
At 31 December 2022	297,629	2,638,595	140,526,953	2,295,843	4,563,821	2,073,286	137,550	1,531,016	154,064,693
Additions	-	1,211	17,810,862	368	443,986	155,533	4,613	3,739,227	22,155,800
Transfers	-	-	1,512,449	-	-	-	390	(1,512,839)	-
Disposals	-	-	(931,072)	-	(15,048)	(51,439)	-	-	(997,559)
Exchange differences	1,536	6,959	195,530	506	4,259	2,038	76	504	211,408
At 31 December 2023	**299,165**	**2,646,765**	**159,114,722**	**2,296,717**	**4,997,018**	**2,179,418**	**142,629**	**3,757,908**	**175,434,342**
Depreciation:									
At 1 January 2022	-	1,110,487	72,898,994	2,126,824	1,949,456	1,655,886	123,416	-	79,865,063
Charge for the year	-	80,309	8,344,193	188,939	234,261	170,255	5,271	-	9,023,228
Disposals	-	-	(4,869,494)	(126,107)	-	(118,702)	(400)	-	(5,114,703)
Exchange differences	-	1,413	113,028	852	1,511	2,687	125	-	119,616
At 31 December 2022	-	1,192,209	76,486,721	2,190,508	2,185,228	1,710,126	128,412	-	83,893,204
Charge for the year	-	81,373	8,954,930	94,521	280,898	150,998	4,140	-	9,566,860
Disposals	-	-	(885,129)	-	(15,048)	(51,439)	-	-	(951,616)
Exchange differences	-	865	60,577	426	839	1,313	57	-	64,077
At 31 December 2023	-	**1,274,447**	**84,617,099**	**2,285,455**	**2,451,917**	**1,810,998**	**132,609**	-	**92,572,525**
Net book value:									
At 31 December 2023	**299,165**	**1,372,318**	**74,497,623**	**11,262**	**2,545,101**	**368,420**	**10,020**	**3,757,908**	**82,861,817**
At 31 December 2022	297,629	1,446,386	64,040,231	105,335	2,378,593	363,160	9,138	1,531,016	70,171,488

9 PROPERTY AND EQUIPMENT (continued)

Depreciation charge for the year
The depreciation included in the consolidated statement of profit or loss is allocated as follows:

	2023	*2022*
	KD	*KD*
Cost of sales (Note 4)	**9,400,625**	8,839,102
General and administrative expenses (Note 5)	**166,235**	184,126
	9,566,860	9,023,228

Disposals of property and equipment
In 2023, the Group sold equipment with a total net carrying amount of KD 45,942 (2022: KD 13,991) for a cash consideration of KD 248,736 (2022: KD 1,264,904). The net gain on these disposals amounting to KD 202,794 (2022: KD 1,250,914) were recognised as part of other income in the consolidated statement of profit or loss for the year then ended (Note 6).

10 LEASES

The Group has lease contracts for various items of property (i.e warehouses and office premises) used in its operations, which generally have lease terms between five and ten years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of property and vehicles with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2023	*2022*
	KD	*KD*
As at 1 January	**539,144**	579,290
Additions	-	19,574
Modifications	**51,666**	-
Depreciation expense	**(73,902)**	(67,045)
Exchange differences	**2,482**	7,325
As at 31 December	**519,390**	539,144

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023	*2022*
	KD	*KD*
As at 1 January	**655,895**	650,953
Additions	-	19,574
Modifications	**51,260**	-
Accretion of interest	**38,165**	30,395
Payments	**(92,834)**	(43,326)
Exchange differences	**3,147**	(1,701)
As at 31 December	**655,633**	655,895
Non-current	**553,963**	603,198
Current	**101,670**	52,697

10 LEASES (continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 5% per annum.

The maturity analysis of lease liabilities is disclosed in Note 20.2.

The following are the amounts recognised in the consolidated statement of profit or loss:

	2023 ***KD***	*2022* *KD*
Depreciation expense on right-of-use assets (Note 5)	**73,902**	67,045
Interest expense on lease liabilities	**38,165**	30,395
Expense relating to short-term leases and low-value assets (Note 4)	**518,182**	453,369
Expense relating to short-term leases and low-value assets (Note 5)	**55,337**	44,505
Total amount recognised in consolidated statement of profit or loss	**685,586**	595,314

The Group had total cash outflows for leases of KD 666,353 (2022: KD 541,200).

11 TRADE AND OTHER RECEIVABLES

	2023 ***KD***	*2022* *KD*
Trade receivables	**17,636,729**	15,861,326
Retention receivables	**83,848**	116,643
	17,720,577	15,977,969
Less: Allowance for expected credit losses	**(5,027,782)**	(5,480,754)
	12,692,795	10,497,215
Contract assets	**407,770**	266,802
Refundable deposits	**180,360**	65,022
Advances to suppliers and employees	**471,524**	962,022
Prepaid expenses	**269,226**	375,417
Other receivables	**843,235**	600,105
	14,864,910	12,766,583

- Trade receivables are non-interest bearing and are generally on terms of 60 to 90 days.
- Contract assets relate to revenue earned from ongoing services. As such, the balances of this account vary and depend on the number of ongoing services at the end of the year. In 2023, no provision was recognised for expected credit losses on contract assets (2022: Nil).
- For terms and conditions relating to related party receivables, refer to Note 19.

The net carrying value of trade receivables is considered a reasonable approximation of fair value. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

11 TRADE AND OTHER RECEIVABLES (continued)

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2023	*2022*
	KD	*KD*
As at 1 January	**5,480,754**	5,461,756
Charge for the year	**1,271,901**	226,075
Write-offs *	**(1,740,549)**	(244,873)
Exchange differences	**15,676**	37,796
As at 31 December	**5,027,782**	5,480,754

* These represent receivables written off as management believes that there is no reasonable expectation of recovering the contractual cash flows.

Note 20.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's trade and other receivables and retention receivables.

12 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2023	*2022*
	KD	*KD*
Cash in hand	**24,844**	38,120
Bank balances	**2,204,435**	3,353,598
Bank balances and cash	**2,229,279**	3,391,718
Less:		
Bank overdrafts (Note 14)	-	(252,901)
Cash and cash equivalents	**2,229,279**	3,138,817

Bank overdrafts is denominated in Kuwait Dinar and carry an average interest rate of 5.25% (2022: 4%) per annum. As at 31 December 2023, the Group had available KD 3,492,000 (2022: KD 1,247,099) of undrawn committed borrowing facilities that may be drawn at any time and may be terminate by the bank without notice.

13 EQUITY

13.1 Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2023	*2022*	***2023***	*2022*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**253,000,000**	253,000,000	**25,300,000**	25,300,000

13.2 Statutory reserve

In accordance with the Companies' Law No. 1 of 2016, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10 % of the profit for the year before KFAS, NLST, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when profits become available in the following years, unless such reserve exceeds 50% of the issued share capital.

13 EQUITY (continued)

13.3 Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

13.4 Distributions made and proposed

The Board of Directors in their meeting held on 28th March 2024 proposed a cash dividend of 20 fils per share aggregating to KD 5,060,000 for the year ended 31 December 2023. Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

The Board of Directors in their meeting held on 27 March 2023, proposed a cash dividend of 15 fils per share aggregating to KD 3,795,000 for the year ended 31 December 2022 (2021: cash dividend of 10 fils per share aggregating to KD 2,530,000) through utilising retained earnings (2021: KD 2,530,000).

14 LOANS AND BORROWINGS

	2023 KD	*2022 KD*
Tawaruq payables	**18,616,663**	14,658,634
Murabaha payables	**13,800,000**	4,500,000
Bank overdraft (Note 12)	-	252,901
	32,416,663	19,411,535

The amounts payable under Murabaha and Tawaruq agreements are repayable within 1 to 5 years. The amount due is settled on a deferred payment basis and bear finance costs ranging between 4.95% to 5.25% (31 December 2022: 3.5% to 4%) per annum.

Maturity wise breakup of the loans and borrowings are as follows:

	2023 KD	*2022 KD*
Non-current	**18,148,236**	9,374,978
Current	**14,268,427**	10,036,557
As at 31 December	**32,416,663**	19,411,535

Changes in liabilities arising from financing activities:

	2023 KD	*2022 KD*
As at 1 January	**19,411,535**	19,950,174
Proceeds from loans	**19,657,048**	900,000
Proceeds from bank overdrafts	**1,521,010**	252,901
Repayment of borrowings	**(6,399,019)**	(1,691,540)
Repayment of bank overdrafts	**(1,773,911)**	-
As at 31 December	**32,416,663**	19,411,535

15 EMPLOYEES' END OF SERVICE BENEFITS

Set out below is the movement in the provision for employees' end of service benefits:

	2023	*2022*
	KD	*KD*
As at 1 January	**2,040,700**	2,025,689
Charge for the year	**205,855**	226,050
Paid during the year	**(180,497)**	(216,143)
Exchange differences	**1,803**	5,104
As at 31 December	**2,067,861**	2,040,700

16 TRADE AND OTHER PAYABLES

	2023	*2022*
	KD	*KD*
Trade payables	**1,144,676**	931,345
Accrued expenses	**1,589,223**	1,422,839
KFAS payable	**41,244**	31,023
Staff payables	**1,024,539**	1,105,667
Other payables	**548,453**	600,948
	4,348,135	4,091,822

Terms and conditions of the above financial liabilities are:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have average term of six months
- Interest payable is normally settled quarterly throughout the financial year
- For terms and conditions with related parties, refer to Note 19

For explanation on the Group's liquidity risk management process, refer to Note 20.2

17 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its geographies and has two reportable segments, as follows:

- Inside Kuwait.
- Outside Kuwait.

The Chief Operating Decision Maker (CODM) monitors the operating results of its business geographically for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The following table presents the geographical analysis of the Group's assets, liabilities, revenues, expenses, and profit for the years ended 31 December 2023 and 31 December 2022 respectively:

	31 December 2023		
	Inside Kuwait KD	***Outside Kuwait KD***	***Total KD***
Total assets	**53,164,336**	**49,412,875**	**102,577,211**
Total liabilities	**27,425,686**	**12,062,606**	**39,488,292**
Revenues	**17,681,770**	**13,775,764**	**31,457,534**
Expenses	**(10,853,956)**	**(5,671,428)**	**(16,525,384)**
Profit for the year	**1,089,455**	**3,011,180**	**4,100,635**
Depreciation of property and equipment	**(4,941,651)**	**(4,625,209)**	**(9,566,860)**
Finance costs	**(1,161,400)**	**(289,617)**	**(1,451,017)**
Capital expenditures	**(6,799,187)**	**(15,356,613)**	**(22,155,800)**
Depreciation of right-of-use asset	**(9,293)**	**(64,609)**	**(73,902)**

	31 December 2022		
	Inside Kuwait KD	*Outside Kuwait KD*	*Total KD*
Total assets	52,606,178	36,252,079	88,858,257
Total liabilities	9,982,696	16,217,256	26,199,952
Revenues	12,210,239	12,519,558	24,729,797
Expenses	(12,202,358)	(10,039,909)	(22,242,267)
Profit for the year	509,296	2,657,638	3,166,934
Depreciation of property and equipment	(5,537,390)	(3,485,838)	(9,023,228)
Finance costs	(677,067)	(40,280)	(717,347)
Capital expenditures	2,134,516	1,431,349	3,565,865
Depreciation of right-of-use asset	(6,895)	(60,150)	(67,045)

Capital expenditure consists of additions to property and equipment.

18 COMMITMENTS AND CONTINGENCIES

At the reporting date, the Group had the following commitments and contingencies:

	2023	*2022*
	KD	*KD*
Capital commitments	**851,252**	7,541,406
Letters of credit	**2,417,973**	4,440,510
Letters of guarantee	**3,610,778**	2,399,748
	6,880,003	14,381,664

19 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Terms and conditions of transactions with related parties
All transactions with related parties are made on terms approved by management. Outstanding balances at the year-end are unsecured, interest free, and have no fixed repayment schedule. There have been no guarantees received for any related party receivables.

Compensation of key management personnel
Key management personnel comprise of the Board of Directors and key member of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Transaction values for the year ended 31 December		*Balances outstanding as at 31 December*	
	2023	*2022*	***2023***	*2022*
	KD	*KD*	***KD***	*KD*
Salaries and short-term employee benefits	**1,640,677**	1,177,397	**54,000**	54,000
End of services benefits	**57,415**	56,398	**640,528**	606,657
	1,698,092	1,233,795	**694,528**	660,657

The Board of Directors of the Parent Company has proposed a directors' remuneration for the year ended 31 December 2023 of KD 54,000 (2022: KD 54,000). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

Board of Directors remuneration of KD 54,000 for the year ended 31 December 2022 was approved by the AGM of the shareholders held on 30 April 2023.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk which is limited to interest / profit rate risk and foreign currency risk. The Group's policy is to monitor those business risks through the Group's strategic planning process.

The Group's principal financial liabilities comprise of trade and other payable, loans and borrowings and lease liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables and bank balances and cash which are directly from its operations.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

20.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily trade and other receivables, and from its financing activities, including deposits with banks.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2023	*2022*
	KD	*KD*
Bank balances	**2,204,435**	3,353,598
Trade and retention receivables	**12,692,795**	10,497,215
Other receivables *	**843,235**	600,105
	15,740,465	14,450,918

** excluding prepayments, advances and refundable deposits*

Balances with banks

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Trade and retention receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from accounts receivables by establishing a maximum payment period of three months for individual and corporate customers respectively.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a corporate or government entities, trading history with the Group and existence of previous financial difficulties.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

Trade and retention receivables (continued)

At 31 December, the exposure to credit risk for trade and retention receivables by type of counterparty was as follows:

	2023	*2022*
	KD	*KD*
Government agencies	**3,140,568**	2,019,307
Corporates	**9,552,227**	8,477,908
	12,692,795	10,497,215

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. The Group does not hold collateral as security.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's concentration of credit risk pertains to receivable balances from the Group's 5 largest customers which account for 45% as at 31 December 2023 (2022: 29%) of outstanding trade receivables at the reporting date.

Set out below is the information about the credit risk exposure on the Group's trade receivables and retention receivables using a provision matrix:

		Days past due			
	Current	***<90 days***	***91-180 days***	***>180 days***	***Total***
31 December 2023	***KD***	***KD***	***KD***	***KD***	***KD***
Expected credit loss rate	**6.30%**	**6.96%**	**10.57%**	**55.01%**	
Total gross carrying amount at default	**4,810,097**	**3,578,130**	**1,481,624**	**7,850,726**	**17,720,577**
Expected credit loss	**303,108**	**249,135**	**156,559**	**4,318,980**	**5,027,782**

		Days past due			
	Current	*<90 days*	*91-180 days*	*>180 days*	*Total*
31 December 2022	*KD*	*KD*	*KD*	*KD*	*KD*
Expected credit loss rate	3.35%	6.10%	12.14%	51.79%	
Total gross carrying amount at default	2,698,182	2,178,365	1,240,072	9,861,350	15,977,969
Expected credit loss	90,331	132,774	150,557	5,107,092	5,480,754

Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30-90 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand KD	***Upto 3 months KD***	***3 months to 12 months KD***	***More than 1 year KD***	***Total KD***
2023					
Loans and borrowings	-	**2,269,936**	**11,439,296**	**21,418,237**	**35,127,469**
Trade and other payables	-	**551,753**	**3,796,382**	-	**4,348,135**
Lease liabilities	-	**23,007**	**79,647**	**700,086**	**802,740**
	-	**2,844,696**	**15,315,325**	**22,118,323**	**40,278,344**

	On demand KD	*Upto 3 months KD*	*3 months to 12 months KD*	*More than 1 year KD*	*Total KD*
2022					
Loans and borrowings	277,963	6,018,125	4,436,251	10,401,082	21,133,421
Trade and other payables	-	250,254	3,841,568	-	4,091,822
Lease liabilities	-	11,655	41,742	605,597	658,994
	277,963	6,280,034	8,319,561	11,006,679	25,884,237

20.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks comprises three types of risk: foreign currency risk, interest rate risks, and other price risk, such as equity price risk.

20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

At the reporting date, the Group's borrowings at variable rate were mainly denominated in Kuwaiti Dinar

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Market risk (continued)

20.3.1 Interest rate risk (continued)

Exposure to interest rate risk
The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows;

	2023	*2022*
	KD	*KD*
Fixed-rate instruments		
Financial liabilities	**13,800,000**	4,500,000
Variable-rate instruments		
Financial liabilities	**18,616,663**	14,911,535

Fair value sensitivity analysis for fixed-rate instruments
The Group does not account for any fixed-rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity analysis for variable-rate instruments
A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit before tax by KD 186,167 (2022: KD 149,115). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

20.3.2 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investment in a foreign subsidiary.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's significant exposure to foreign currency exchange rates on monetary financial assets and liabilities at the reporting date:

	Liabilities		***Assets***	
	2023	*2022*	***2023***	*2022*
Currency	***KD***	*KD*	***KD***	*KD*
US Dollar (USD)	**5,617,211**	3,647,978	**541,919**	1,343,895
Euro (EUR)	**58,952**	41,373	**31,723**	68,714
Emirati Dirham (AED)	**25,445**	2,018	**31,500**	263,203
Saudi Riyal (SAR)	**851,174**	1,062,215	**2,983,109**	1,193,780
Qatari Riyal (QAR)	**3,978,283**	4,033,771	**9,641,911**	7,871,595
Bahrain Dinar (BHD)	-	-	**6,665,124**	4,958,184

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Market risk (continued)

20.3.2 Foreign currency risk (continued)

Foreign exchange rate sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	2023		*2022*	
Currency	***Change in currency rate***	***Effect on profit or loss KD***	*Change in currency rate*	*Effect on profit or loss KD*
USD	**±5%**	**±253,765**	±5%	±115,204
EUR	**±5%**	**±1,361**	±5%	±1,367
AED	**±5%**	**±303**	±5%	±13,059
SAR	**±5%**	**±106,597**	±5%	±6,578
QAR	**±5%**	**±283,181**	±5%	±191,891
BHD	**±5%**	**±333,256**	±5%	±247,909

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances and trade and other receivables (including receivables from related parties). Financial liabilities consist of loans and borrowings, lease liabilities and accounts payable and accruals (including payables to related parties).

The fair values of financial instruments are not materially different from their carrying values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than the face value.

22 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at acceptable levels The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less bank balances and cash.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current year.

22 CAPITAL MANAGEMENT (continued)

No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

	2023	*2022*
	KD	*KD*
Loans and borrowings	**32,416,663**	19,411,535
Trade payables	**1,144,676**	931,345
Less: Bank balances and cash	**(2,229,279)**	(3,391,718)
Net debt	**31,332,060**	16,951,162
Total capital	**63,088,919**	62,658,305
Total capital and debt	**94,420,979**	79,609,467
Gearing ratio	**33%**	21%

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