REFRIGERATION INDUSTRIES AND STORAGE AND OIL SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH INDEPENDENT AUDITOR'S REPORT

REFRIGERATION INDUSTRIES AND STORAGE AND OIL SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Refrigeration Industries and Storage and Oil Services Company - K.S.C. (Closed)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Refrigeration Industries and Storage and Oil Services Company - K.S.C. (Closed) (the Parent Company) and its subsidiaries (the "Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the related consolidated statements of profit or loss and profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, 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.

Emphasis of matters

- We draw attention to Note 2 (b) to the consolidated financial statements which indicates that for investment in one of the subsidiaries that is 1% owned by a former related party, and there is an unauthenticated waiver letter in favor of the Parent Company. Additionally, there is a legal case with regard to this matter (Note 18 - b). our opinion is not qualified in respect of this matter.

- We draw attention to Note 3 to the consolidated financial statements which indicates that one of the lands under Property, plant and equipment recorded in the Group's accounts is registered under the name of a former related party and there is an unauthenticated waiver letter stating that the Group owns this land. Additionally, there is a legal case with regard to this matter (Note 18 - b). our opinion is not qualified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2022 have been audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on January 26, 2023.

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's or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Parent Company'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 Parent Company 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 Parent Company's to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Report on other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended December 31, 2023 that might have had a material effect on the business or financial position of the Parent Company.

Dr. Shuaib A. Shuaib
License No.33-A
RSM Albazie & Co.

State of Kuwait
April 16, 2024

REFRIGERATION INDUSTRIES AND STORAGE AND OIL SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

	Note	**2023**	2022
ASSETS			
Non-current assets:			
Property, plant and equipment	3	**48,004,557**	47,627,604
Intangible assets		**-**	57,783
Goodwill	4	**-**	1,246,142
Total non-current assets		**48,004,557**	48,931,529
Current Assets:			
Inventories	5	**40,535,684**	48,881,463
Accounts receivable and other debit balances	6	**4,322,960**	6,161,154
Cash and cash equivalents	7	**12,403,523**	817,020
Total current assets		**57,262,167**	55,859,637
Total assets		**105,266,724**	104,791,166
EQUITY AND LIABILITIES			
Equity:			
Share capital	8	**10,043,880**	10,043,880
Statutory reserve	9	**5,022,000**	5,022,000
Voluntary reserve	10	**5,143,040**	5,143,040
Retained earnings		**24,566,883**	18,641,445
Total equity		**44,775,803**	38,850,365
Non-current liabilities:			
Provision for end of service indemnity	11	**2,649,560**	3,258,221
Term loan	12	**-**	8,150,000
Total non-current liabilities		**2,649,560**	11,408,221
Current liabilities:			
Term loan	12	**-**	3,000,000
Accounts payable and other credit balances	13	**57,841,361**	51,532,580
Total current liabilities		**57,841,361**	54,532,580
Total liabilities		**60,490,921**	65,940,801
Total equity and liabilities		**105,266,724**	104,791,166

The accompanying notes from (1) to (25) form an integral part of the consolidated financial statements.

Sheikh / Mohammad Abdullah Al-Sabah
Vice Chairman and CEO

REFRIGERATION INDUSTRIES AND STORAGE AND OIL SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

	Note	2023	2022
Operating revenue	14	**72,584,333**	63,605,872
Operating costs		**(54,862,713)**	(47,579,993)
Gross profit		**17,721,620**	16,025,879
General and administrative expenses	15	**(5,001,547)**	(5,174,305)
Depreciation	3	**(2,105,730)**	(403,939)
Net allowance for expected credit losses no longer required	6	**521,602**	-
Profit from operations		**11,135,945**	10,447,635
Loss on sale of property, plant and equipment		**(76,397)**	-
Impairment loss on intangible assets		**(57,783)**	-
Impairment loss on goodwill	4	**(1,246,142)**	-
Interest income		**75,813**	53
Finance costs		**(219,310)**	(218,510)
Foreign exchange gain (loss)		**50,689**	(6,928)
Other income		**14,941**	53,466
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and contribution to Zakat and Board of Directors' remuneration		**9,677,756**	10,275,716
Contribution to KFAS	16	**(96,778)**	(102,757)
Contribution to Zakat		**(94,277)**	(94,892)
Board of Directors' remuneration	20	**(46,000)**	(46,000)
Profit for the year		**9,440,701**	10,032,067
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**9,440,701**	10,032,067
Basic earnings per share for the shareholders of the Parent Company (Fils)	17	**93.99**	101.17

The accompanying notes from (1) to (25) form an integral part of the consolidated financial statements.

REFRIGERATION INDUSTRIES AND STORAGE AND OIL SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

	Capital	Statutory reserve	Voluntary reserve	Treasury reserve	Treasury shares reserve	Retained earnings	Total equity
Balances at January 1, 2022	10,043,880	5,022,000	5,143,040	(1,874,146)	146,899	13,160,706	31,642,379
Total comprehensive income for the year	-	-	-	-	-	10,032,067	10,032,067
Treasury share distribution (Note 20)	-	-	-	1,874,146	(146,899)	(1,727,247)	-
Cash dividends (Note 20)	-	-	-	-	-	(2,824,081)	(2,824,081)
Balances at December 31, 2022	10,043,880	5,022,000	5,143,040	-	-	18,641,445	38,850,365
Total comprehensive income for the year	-	-	-	-	-	9,440,701	9,440,701
Cash dividends (Note 20)	-	-	-	-	-	(3,515,263)	(3,515,263)
Balances at December 31, 2023	**10,043,880**	**5,022,000**	**5,143,040**	**-**	**-**	**24,566,883**	**44,775,803**

The accompanying notes from (1) to (25) form an integral part of the consolidated financial statements.

REFRIGERATION INDUSTRIES AND STORAGE AND OIL SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

	2023	2022
Cash flows from operating activities:		
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and contribution to Zakat and Board of Directors' remuneration	**9,677,756**	10,275,716
Adjustments for:		
Depreciation and amortization	**3,510,808**	1,640,405
Loss on sale of property, plant and equipment	**76,397**	-
Impairment loss on intangible assets	**57,783**	-
Impairment loss on goodwill	**1,246,142**	-
Net allowance for expected credit losses no longer required	**(521,602)**	-
Interest Income	**(75,813)**	(53)
Provision for end of service indemnity	**1,191,851**	894,290
Finance costs	**219,310**	218,510
	15,382,632	13,028,868
Changes in operating assets and liabilities:		
Inventories	**8,345,779**	8,644,250
Accounts receivable and other debit balances	**2,363,412**	1,583,312
Accounts payable and other credit balances	**5,425,217**	(15,874,120)
Cash generated from operations	**31,517,040**	7,382,310
Payment of KFAS	**(102,757)**	(85,848)
Payment of Zakat	**(94,892)**	(90,576)
Payment of Board of Directors' remuneration	**(46,000)**	(46,000)
Payment for end of service indemnity	**(920,312)**	(930,823)
Net cash flows generated from operating activities	**30,353,079**	6,229,063
Cash flows from investing activities:		
Paid for purchase of property, plant and equipment	**(3,989,808)**	(3,158,537)
Proceed from sale of property, plant and equipment	**25,650**	-
Paid for purchase of Intangible assets	**-**	(69,340)
Interest income received	**72,197**	53
Net cash flows used in investing activities	**(3,891,961)**	(3,227,824)
Cash flows from financing activities:		
Net movement in term loan	**(11,150,000)**	47,212
Net movement in restricted bank balances	**(9,958)**	(19,195)
Dividends paid to shareholders of the Parent Company	**(3,505,305)**	(2,804,886)
Finance costs paid	**(219,310)**	(218,510)
Net cash flows used in financing activities	**(14,884,573)**	(2,995,379)
Net increase in cash and cash equivalents	**11,576,545**	5,860
Cash and cash equivalents at the beginning of the year	**32,661**	26,801
Cash and cash equivalents at the end of the year (Note 7)	**11,609,206**	32,661

The accompanying notes from (1) to (25) form an integral part of the consolidated financial statements.

1. Incorporation and activities

The Refrigeration Industries and Storage and Oil Services Company (Closed) (the "Parent Company") is a Kuwaiti shareholding Company registered in Kuwait and was incorporated based on Article of incorporation Ref No. 158 volume 1 dated February 15,1973 and the latest which is notarized in Commercial Register No. 54055 dated January 3, 2024.

The main activities of the Parent Company are as follows:

- Owning and leasing cold storage warehouses, and manufacturing, installing, and maintaining air conditioning systems.
- Investing surplus funds in investment portfolios managed by specialized investment management companies and parties.
- Establishing public cold storage warehouses in Kuwaiti ports requiring such cold stores.
- Renting out these cold storage warehouses for importer and exporter of frozen foodstuffs, frozen items, meat, and fish, etc.
- Carrying out directly or in participation with third parties' refrigeration-related operations.
- Carrying out all transactions, contracts, acts related to or associated with the Parent Company's activities as deemed necessary by the Parent Company for these activities. The Parent Company may have an interest or participate in any way with organization engaged in activities similar to its work and that may assist it to achieve its objectives in Kuwait or abroad and have the right to buy these entities or to merge them.
- Buying, selling, leasing properties and lands necessary for carrying out the Parent Company's activities after securing the approvals of competent authorities.
- Carrying out land transportation for all types of cooled commodities inside and outside Kuwait related to the Parent Company's activities subject to the approval of the competent authorities.
- Importing and owning refrigerated land transport means and spare parts thereof in accordance with the Parent Company's activities.
- Establishing, equipping, managing and renting out warehouses of all kinds and preparing storage areas for receiving the Parent Company's activities-related goods and commodities.
- Storing goods in accordance with the depositing system under customs supervision inside or outside the customs areas.
- Preparing industrial areas to carry out its operations according to the Parent Company's activities.
- Practicing all e-commerce and supporting activities according to the Parent Company's activities.
- Carrying out the agents' activities and representing the foreign companies in respect of all cold storage, refrigeration or air conditioning activities related to the Parent Company's operations.
- Establishing, completing, managing and maintenance the Parent Company's warehouses.
- Conducting all computer-related functions including designing different system and inventory management of all kinds related to the Parent Company's activities.
- Establishing fully equipped laboratories for inspection of refrigeration and air conditioning equipment including its accessories and components necessary for serving the Parent Company's activities.
- Manufacturing insulating materials of all types necessary for the Parent Company's activities.
- Manufacturing, producing, importing and maintenance of all types of pipes, laying and installing pipelines, and carrying out oil services and related contracting works.
- Carrying out and implementing all projects related to the Parent Company's activities.
- Carrying out all works related to or associated with the Parent Company's activities or necessary for oil services.
- Providing the consulting services related to Parent Company's activities.

The Company's address is P.O. Box 22261, Safat 13083, State of Kuwait.

The consolidated financial statements were authorized for issue by Parent Company's Board of Directors on April 16, 2024. The consolidated financial statement is subject to approval from the Shareholders' annual General Assembly, the Shareholders' annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Material accounting policies information

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Material accounting policies are summarized as follows:

a) Basis of Preparation

The consolidated financial statements are presented in Kuwaiti Dinars, which is the functional currency of the Group and are prepared under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Material accounting judgments, estimates and assumptions are disclosed in Note 2 (u). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2022.

New and revised Standards that are effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised International Financial Reporting Standards as of January 1, 2023:

Amendments to IAS I Presentation of Financial Statements — Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'material accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The amendments did not have material impact on the consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. The amendments did not have material impact on the consolidated financial statements.

New and revised Standards issued but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised Standards that have been issued but are not yet effective:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

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 recognize 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. These amendments are not expected to have any material impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. These amendments are not expected to have any material impact on the consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, 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.

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. These amendments are not expected to have any material impact on the consolidated financial statements.

Lack of Exchangeability (Amendments to IAS 21)
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

An entity is required to recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. These amendments are not expected to have any material impact on the consolidated financial statements.

b) Basis of consolidation
The consolidated financial statements incorporate the financial statements of Parent Company and the following subsidiaries (the Group):

Name of the subsidiary	Country of incorporation	Principal Activities	Percentage of holding %	
			2023	2022
Coolex General Trading and Contracting Company – W.L.L. (a)	State of Kuwait	General trading & contracting	**99**	99
Gulf Paramount For Electrical Services Company – Sole Proprietorship	State of Kuwait	Manufacturing	**100**	100

(a) The remaining percentage by 1% is owned by a former related party, and there is an unauthenticated waiver letter in favour of the Parent Company (Note 18 - b).

Subsidiaries (investees) are those enterprises controlled by the Group. Control is achieved when the Group:
- has power over the investee.
- is exposed or has rights to variable returns from its involvement with the investee.
- has the ability to use its power to affect its returns.

The Parent Company reassess 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 listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the parent company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) <u>Current vs non-current classification</u>

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 realized or intended to be sold or consumed in the normal operating cycle
- It is held primarily for the purpose of trading.
- It is expected to be realized within twelve months after the reporting period or
- It is 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.

d) Financial instruments

The Group classifies its financial instruments as “Financial Assets” and “Financial Liabilities”. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, receivables, term loan, and payables.

d-1) Financial assets

Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘Sell’ business model and measured at FVPL. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments’ cash flows represent Solely Payments of Principal and Interest (the ‘SPPI test’). ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred.

Initial recognition

Purchases and sales of those financial assets are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either:

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

Measurement categories of financial assets

The Group classifies its financial assets upon initial recognition into the following categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at fair value through profit or loss (FVPL)

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Cash and cash equivalents and trade receivables are classified as debt instruments at amortized cost.

- **Cash and cash equivalents**

  Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- **Trade receivables**

  Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

d-2) Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECL”) 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. The shortfall is then discounted at an approximation to the asset’s 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.

For trade and other receivables, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- 'Stage 3' (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

In assessing whether the credit quality on a financial instrument has deteriorated significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

d-3) Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVPL or at amortized cost using effective interest rate method.

Financial liabilities at amortized cost

Financial liabilities that are not at FVPL are measured subsequently at amortized cost using the effective interest method.

- **Accounts payable**

  Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

- **Borrowings**

  Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in statement of profit or loss over the period of the borrowings using the effective interest method.

  Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

d-4) Offsetting of financial assets and liabilities

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

e) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

f) Property, plant and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period. The carrying values of property, plant 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified in the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	Years
Right of utilizations for leased land	20
Buildings	20
Machinery and equipment	5 - 10
Vehicles	10
Generators and tools	15
Furniture and office equipment	5
Tools and equipment	5 - 10

Right of utilization of lease hold land is capitalized on the basis of the costs incurred to acquire the right to exploit it. It is recognized initially at cost and is subsequently measured at cost less accumulated amortization and impairment losses. Amortization is calculated based on straight line method over the asset's expected utilization period which is estimated at 20 years.

Capital work in progress is stated at cost. Following completion, capital work in progress is transferred into the relevant class of property, plant and equipment.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

g) Intangible assets

Intangible assets are measured on initial recognition at cost, which comprises its purchase price, and any directly attributable cost of preparing the asset for its intended use.

Following initial recognition, intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Intangible assets acquired separately by the Group represent the following:

Computer software
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives, which is 5 years.

h) Goodwill
Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previously held interest, over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i) Impairment of non-financial assets
At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

k) Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

l) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable till the holding period of treasury shares. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any of the Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

m) Dividend distribution to shareholders

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

n) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services related to the principal are transferred to the customer at an amount that reflects the consideration to which the principal and the agent expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is an agent in its revenue arrangements, because it typically not the prime controller of the goods or services before transferring them to the customer.

The Group applies a five-step model as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The Customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The Customer has the significant risks and rewards of ownership of the asset.
- The Customer has accepted the asset.

Revenue for the Group arises from the following activities:

- Sale of goods
  Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when or as the Group transfers control of the goods to the customer. For standalone sales, that are neither customized by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- Rendering of services
  Revenue from service contracts is recognized when the service is rendered. The Group enters into fixed price maintenance and extended warranty contracts with its customers. Customers are required to pay in advance for each twelve-month service period and the relevant payment due dates are specified in each contract. Revenue is recognized over time.

- Other income
  Other income is recognized on accrual basis.

o) Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and 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.

Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

p) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are expensed in the consolidated statement of profit or loss in the period in which they are incurred.

q) Leases
Group as a lessor
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

a. Finance lease
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

b. Operating lease

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

a. Right of use assets

The Group recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities, The cost of right of use assets includes the amount of lease liabilities recognized, 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 recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognizes 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 a 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 recognized as expense in the period on 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 profit 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.

c. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (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 of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease.

r) Zakat

Zakat is calculated at 1% of the profit of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration and after deducting its share of income from Kuwaiti shareholding subsidiaries in accordance with Law No. 46 for the year 2006 and the Ministerial of Finance resolution No. 58 for the year 2007 and their Executive Regulations.

s) Foreign currency

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting periods are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statement of profit or loss for the period.

t) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

u) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

- Revenue Recognition
  Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note (2 - n) are met requires significant judgment.

- Determination of contract costs
  Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long-term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

- Provision for expected credit losses and inventories
  The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

- Classification of financial assets
  On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets.

- Control assessment
  When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.

- Leases
  Critical judgements required in the application of IFRS 16 include, among others, the following:
  - Identifying whether a contract (or part of a contract) includes a lease;
  - Determining whether it is reasonably certain that an extension or termination option will be exercised;
  - Classification of lease agreements (when the entity is a lessor);
  - Determination of whether variable payments are in-substance fixed;
  - Establishing whether there are multiple leases in an arrangement,
  - Determining the stand-alone selling prices of lease and non-lease components.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Impairment of Goodwill
  The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated.

- Long term contracts
  Revenue from long term contracts is recognized in accordance with the cost to cost method (input method) measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

- Useful lives of depreciable assets
  The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

- Allowance for expected credit losses and inventories
  The extent of allowance for expected credit losses and inventories involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision for write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

- Impairment of non-financial assets
  Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

- Leases
  Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:
  - Estimation of the lease term.
  - Determination of the appropriate rate to discount the lease payments.
  - Assessment of whether a right-of-use asset is impaired.

3. Property, plant and equipment

	Lands	Right of utilizations for leased lands	Buildings	Machinery and equipment	Vehicles	Generators and tools	Furniture and office equipment	Tools and equipment	Capital work in progress	Total
Cost:										
As at January 1, 2022	1,376,260	-	14,894,152	8,348,916	3,978,972	2,849,310	2,737,034	1,182,900	34,576,454	69,943,998
Additions	-	-	299,760	1,368,380	647,286	162,128	151,651	529,332	-	3,158,537
Disposals	-	-	-	-	(8,186)	-	-	-	-	(8,186)
Transfer from work in progress	-	32,834,845	1,228,762	-	-	-	-	-	(34,063,607)	-
As at December 31, 2022	1,376,260	32,834,845	16,422,674	9,717,296	4,618,072	3,011,438	2,888,685	1,712,232	512,847	73,094,349
Additions	-	-	345,054	2,842,938	540,651	9,600	86,007	38,055	127,503	3,989,808
Disposals	-	-	-	(715,136)	(14,503)	-	-	(19,057)	-	(748,696)
Transfer from work in progress	-	-	-	324,760	-	-	1,184	1,247	(327,191)	-
As at December 31, 2023	**1,376,260**	**32,834,845**	**16,767,728**	**12,169,858**	**5,144,220**	**3,021,038**	**2,975,876**	**1,732,477**	**313,159**	**76,335,461**
Accumulated depreciation and amortization:										
As at January 1, 2022	-	-	10,931,888	4,477,306	2,707,195	2,262,684	2,394,454	1,072,556	-	23,846,083
Charge for the year	-	-	491,424	497,294	249,101	71,172	126,386	193,471	-	1,628,848
Related to disposals	-	-	-	-	(8,186)	-	-	-	-	(8,186)
As at December 1, 2022	-	-	11,423,312	4,974,600	2,948,110	2,333,856	2,520,840	1,266,027	-	25,466,745
Charge for the year	-	1,641,742	529,419	633,326	406,509	76,873	130,698	92,241	-	3,510,808
Related to disposals	-	-	-	(615,950)	(14,500)	-	-	(16,199)	-	(646,649)
As at December 31, 2023	**-**	**1,641,742**	**11,952,731**	**4,991,976**	**3,340,119**	**2,410,729**	**2,651,538**	**1,342,069**	**-**	**28,330,904**
Net book value:										
As at December 31, 2022	1,376,260	32,834,845	4,999,362	4,742,696	1,669,962	677,582	367,845	446,205	512,847	47,627,604
As at December 31, 2023	**1,376,260**	**31,193,103**	**4,814,997**	**7,177,882**	**1,804,101**	**610,309**	**324,338**	**390,408**	**313,159**	**48,004,557**

- One of the lands with a net book value of KD 800,000 (2022 - KD 800,000) is registered under the name of a former related party and there is an unauthenticated waiver letter stating that the Group owns this land (Note 18 - b).
- The Group's buildings are constructed on lands leased from the Public Authority for Industry – State of Kuwait renewable by new contracts and agreements.
- Capital work in progress represents building and machinery under construction.

Depreciation and amortization charge has been allocated as follows:

	2023	2022
Operating costs	**1,405,078**	1,224,909
Consolidated statement of profit or loss and other comprehensive income	**2,105,730**	403,939
	3,510,808	1,628,848

4. Goodwill

	2023	2022
Balance at the beginning of the year	**1,246,142**	1,246,142
Impairment losses recognized during the year	**(1,246,142)**	-
Balance at the end of the year	**-**	1,246,142

Impairment losses amounted to KD 1,246,142 were recognized during the year due to the significant deterioration in the performance of Gulf Paramount for Electrical Services Company" – Sole proprietorship (Subsidiary), which is expected to be prolonged as per the current market and economic conditions. In addition, to the decrease in the recoverable amount comparing to the carrying amount of that subsidiary.

5. Inventories

	2023	2022
Raw materials	**36,982,562**	39,795,560
Finished goods	**4,727,683**	8,013,275
Spare parts	**4,054,802**	6,154,696
Less: provision for obsolete and slow-moving items	**(5,775,372)**	(5,775,372)
	39,989,675	48,188,159
Work in progress	**546,009**	693,304
	40,535,684	48,881,463

6. Accounts receivable and other debit balances

	2023	2022
Trade receivables (a)	**7,123,634**	8,347,019
Less: Allowance for expected credit losses (b)	**(6,888,806)**	(8,160,408)
	234,828	186,611
Staff receivables	**956,360**	1,143,998
Less: Allowance for expected credit losses (b)	**(750,000)**	-
	206,360	1,143,998
Advance payments to suppliers	**3,322,418**	3,945,313
Prepaid expenses	**255,688**	247,477
Cheques under collection	**145,104**	431,896
Refundable deposits	**44,175**	118,894
Other receivables	**114,387**	86,965
	4,322,960	6,161,154

a) Trade receivables

Trade receivables are non-interest bearing and are generally due within 30 days.

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables, as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profile for sales over the past 12 months ageing profile as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period. There has been no change in the estimation techniques or significant assumptions made during the current year Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 30 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	2023			
	Less than 30 days	31 – 90 Days	More than 90 days	Total
Total gross carrying amount	**974,372**	**614,434**	**5,534,828**	**7,123,634**
Expected credit losses				**(6,888,806)**
Expected credit losses rate				**96.70%**

	2022			
	Less than 30 days	31 – 90 Days	More than 90 days	Total
Total gross carrying amount	918,023	644,126	6,784,870	8,347,019
Expected credit losses				(8,160,408)
Expected credit losses rate				97.76%

b) Allowance for expected credit losses

The movement on the allowance for expected credit losses is as follows:

	Trade receivables	Staff receivables	**2023**	2022
Balance at the beginning of the year	8,160,408	-	**8,160,408**	8,160,408
Charged during the year	-	750,000	**750,000**	-
No longer required	(1,271,602)	-	**(1,271,602)**	-
Balance at the end of the year	6,888,806	750,000	**7,638,806**	8,160,408

7. Cash and cash equivalents

	2023	2022
Cash on hand and at banks	**1,403,523**	817,020
Short term deposit (a)	**11,000,000**	-
	12,403,523	817,020
Less: restricted bank balances (b)	**(794,317)**	(784,359)
Cash and cash equivalents as per consolidated statement of cash flows	**11,609,206**	32,661

(a) The effective interest rate on short-term deposit is 3% per annum. This deposit has a contractual maturity of less than three months and was liquidated in the subsequent period.

(b) Restricted bank balances represent dividends payable to the shareholders that are unclaimed and under the custody of Kuwait clearing Company.

8. Capital

The authorized, issued and fully paid-up share capital consists of 100,438,798 shares at a value of 100 fills (2022: 100,438,798 shares at a value of 100 fills) and all shares are in cash.

9. Statutory reserve

As required by Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of capital. This reserve is not available for distribution except for in certain cases stipulated by law and the Parent Company's Articles of Association. Since the statutory reserve exceeds 50% of the Parent Company's Capital, the Parent Company has stopped transferring to statutory reserve.

10. Voluntary reserve

As required by the Parent Company's Articles of Association, a percentage of profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Pursuant to a previous decision made by the General Assembly of the shareholders. It has been decided that transfers to the voluntary reserve account will be discontinued.

11. Provision for end of service indemnity

	2023	2022
Balance at the beginning of the year	**3,258,221**	3,294,754
Charge for the year	**1,191,851**	894,290
Transferred to accrued expenses	**(880,200)**	-
Paid during the year	**(920,312)**	(930,823)
Balance at the end of the year	**2,649,560**	3,258,221

12. Term loan

As of December 31, 2022, term loan represents loan granted by a local bank at a total amount of KD 11,150,000 carrying a fixed interest rate of 1.5% over the CBK lending rate per annum. During the year ended December 31, 2023 the Group has settled the entire outstanding balance.

Term loan are as follows:

	2023	2022
Non-current portion	**-**	8,150,000
Current portion	**-**	3,000,000
	-	11,150,000

13. Accounts payable and other credit balances

	2023	2022
Trade payables (a)	**5,456,333**	4,138,916
Advances from customers	**38,830,856**	35,428,321
Accrued expenses	**11,875,380**	10,372,380
Dividends payable (Note 19)	**794,317**	784,359
Accrued staff leave	**647,420**	564,955
Accrued KFAS (Note 16)	**96,778**	102,757
Accrued Zakat	**94,277**	94,892
Accrued Board of directors' remuneration (Note 20)	**46,000**	46,000
	57,841,361	51,532,580

(a) Trade payables are non-interest bearing and are normally settled over an average period of 45 days.

14. Operating revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	2023	2022
Type of goods and services:		
Sale of manufactured goods and spare parts	**31,278,758**	27,940,770
Services rendered	**37,696,801**	31,935,492
Storage and leasing	**3,608,774**	3,729,610
	72,584,333	63,605,872
Timing of revenue recognition:		
Goods and services transferred at a point in time	**31,278,758**	27,940,770
Services transferred over time	**41,305,575**	35,665,102
	72,584,333	63,605,872

15. General and administrative expenses

	2023	2022
Staff costs	**3,698,685**	3,568,155
Rent expenses	**477,173**	435,202
Repairs and maintenance	**228,113**	253,098
Professional and legal fees	**75,413**	54,260
Other expenses	**522,163**	863,590
	5,001,547	5,174,305

16. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the transfer to statutory reserve, and any accumulated losses.

	2023	2022
Due amount at the beginning of the year	**102,757**	85,848
Deducted from net profit for the year for KFAS	**96,778**	102,757
Paid during the year	**(102,757)**	(85,848)
Due amount at the end of the year (Note 13)	**96,778**	102,757

17. Basic earnings per share attributable to shareholders of the Parent Company (Fils)

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2023	2022
Profit for the year	**9,440,701**	10,032,067
Number of shares outstanding	**100,438,798**	100,438,798
Less: weighted average number of treasury shares	**-**	(1,277,395)
Weighted average number of shares outstanding	**100,438,798**	99,161,403
	Fils	Fils
Basic earnings per share for the shareholders of the Parent Company	**93.99**	101.17

18. Contingent liabilities and legal cases
    a) Contingent liabilities:
       At December 31, the Group is contingently liable in respect of the following:

	2023	2022
Letters of credit	**1,769,543**	1,110,550
Letters of guarantee	**1,526,681**	1,749,451
	3,296,224	2,860,001

    b) Legal cases:

- On February 7, 2023, a lawsuit was filed by the Parent Company under case No. 1052 of 2023 against the heirs of the late Mr. Saleh Abdullah Salem Al-Mukhlif (a former key management personnel) and other involved parties requesting to transfer the 1% ownership in Coolex General Trading and Contracting Company – W.L.L. (Subsidiary) in the name of the Parent Company. The percentage by 1% was previously waived by the late Mr. Saleh Abdullah Salem Al-Mukhlif to the Parent Company via an unauthenticated waiver letter. The case is currently under the Court of First Instance and the date of hearing is scheduled on July 16, 2024 (Note 2 - b).

- On February 7, 2023, a lawsuit was filed by the Parent Company under case No. 1033 of 2023 against the heirs of the late Mr. Saleh Abdullah Salem Al-Mukhlif (a former key management personnel) and other involved parties requesting to transfer the ownership of a land located in Jeleb Al-Shuyoukh area in the name of the Parent Company. The land was previously waived by the late Mr. Saleh Abdullah Salem Al-Mukhlif to the Parent Company via an unauthenticated waiver letter. The case is currently under the Court of First Instance and the date of hearing is scheduled on April 24, 2024 (Note 3).

- On August 10, 2023, a lawsuit was filed by heirs of the late Mr. Saleh Abdullah Salem Al-Mukhlif (a former key management personnel) against the Parent Company under case No. 7545 of 2023 requesting to claim the labor entitlements due to the late Mr. Saleh Abdullah Salem Al-Mukhlif. The case is currently under the Court of First Instance and the date of hearing is scheduled on April 23, 2024.

There are certain other lawsuits raised by and against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's Legal counsels, there will be no material adverse impact on the Group consolidated financial statements, and hence, no additional provisions were recorded in the Group's records due to the sufficiency of the currently recorded provisions for those claims as of the reporting date.

19. Related party disclosures
    The Group has entered into various transactions with related parties, i.e., Shareholders, key management personnel, and other related parties. Prices and terms of payment for such transactions are to be approved by the Group's management. Significant related party transactions and balances are as follows:

	Shareholders	**2023**	2022
Balances included in the consolidated statement of financial position:			
Dividends payable (Note 13)	794,317	**794,317**	784,359

Compensation to key management personnel

	2023	2022
Short term benefits	**38,986**	63,686
Remunerations	**146,000**	46,000
	184,986	109,686

20. General Assembly and dividend distribution

The Board of Directors' meeting held on April 16, 2024 proposed to distribute cash dividends of 100 fils per share for the year ended December 31, 2023 and to distribute Board of Directors' remuneration amounting to KD 46,000 for the year ended December 31, 2023. These proposals are subject to the approval of the Shareholders' Annual General Assembly of the Parent's Company.

The Shareholders' Annual General Assembly held on March 1, 2023 approved the consolidated financial statements for the financial year ended December 31, 2022 and approved to distribute cash dividends amounting to KD 3,515,263 and approved the board of directors' remuneration amounting to KD 46,000 for the year ended December 31, 2022.

The Shareholders' Annual General Assembly, held on March 15, 2022, approved to distribute the cash dividends to shareholders at 30% value of 30 fils per share after deducting the treasury share, and to distribute treasury shares amounting to 6,300,666 shares at a rate of 6.273% for the year ending on December 31, 2021.

21. Financial Risk Management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, accounts receivable, term loans and accounts payable and as a result, is exposed to the risks indicated below. Group does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial liabilities carrying floating interest rates. The effective interest rate and their periods in which interest and bearing financial liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with other variable held constant of the group's profit through the impact on floating rate borrowings.

	2022		
	Increase / (decrease) in interest rate	Balance as of December 31, (KD)	Effect on consolidated statement of profit or loss and income (KD)
Term loan	± 0.5%	11,150,000	± 55,750

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents and receivables. Receivables are presented net of allowance for expected credit losses. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Cash and cash equivalents

The Group's cash and cash equivalent measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and cash equivalent is placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalent and receivables.

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between other currencies and Kuwaiti Dinar.

	2023		2022	
	Increase / (decrease) against KD	**Effect on consolidated statement of profit or loss and income**	Increase / (decrease) against KD	Effect on consolidated statement of profit or loss and income
USD	**± 5%**	**41,196**	± 5%	69,995
EURO	**± 5%**	**190**	± 5%	-
		41,386		69,995

d) 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, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves and credit lines with banks, and matching the maturity profiles of financial assets and liabilities.

Maturity table for financial liabilities

	2023		
	1-3 months	4-12 months	Total
Accounts payable and other credit balances	**10,536,989**	**47,304,372**	**57,841,361**
	10,536,989	**47,304,372**	**57,841,361**

	2022			
	1-3 months	4-12 months	More than a year	Total
Term loan	3,000,000	-	8,150,000	11,150,000
Accounts payable and other credit balances	8,691,995	42,840,585	-	51,532,580
	11,691,995	42,840,585	8,150,000	62,682,580

e) Equity price risk

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. At present, the Group does not have exposure for equity price risk.

22. 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 management has estimated that the fair value of cash and cash equivalent, receivables, payables and other current liabilities closely approximates their carrying values due to the short maturity period of these financial instruments.

23. Capital Risk Management
The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resource structure to reduce the cost of capital.

In order to maintain or adjust the capital resource structure, the Group may adjust the amounts of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

24. Working capital
As of December 31, 2023, the Group’s current liabilities exceed the current assets by KD 579,194.

25. Comparative figures
Certain of the prior year amounts have been reclassified to conform to the amounts of current period presentation. The reclassifications didn’t have any impact on the Group’s profit or net equity. The details of reclassification are as follows:

	Amount before reclassification	Amount after reclassification
Accounts receivable and other debit balances	1,606,332	6,161,154
Inventories	49,548,645	48,881,463
Accounts payable and other credit balances	48,394,940	51,532,580
Provision for end of service indemnity	2,508,221	3,258,221