The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.
And its Subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2023

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For the year ended 31 December 2023

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The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Kuwait Company for Process Plant Construction and Contracting K.S.C.P. ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies information

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

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International *Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group recognized revenue from construction projects of KD 23 for the year ended 31 December 2023 (2022: KD 17 million). The construction industry is characterized by contract risk with significant judgements involved in the assessment of both current and future contract financial performance. In reference to the accounting policy in note 2.3.12 to these consolidated financial statements, revenue from civil construction and service contracts is recognized using the percentage of completion method which is an input method. The stage of completion is measured based on the total costs incurred as a proportion of the estimated total costs to be performed. This requires significant judgement from management in determining the assessment of the work performed, valuation of contract variations and claims; the completeness and accuracy of forecast costs to complete; and the ability to deliver contracts within forecast timescales. Actual results of contracts may significantly differ from estimates. Dependent on the level of judgement in each, the range on each contract can be individually material. In addition, changes in these judgements, and the related estimates, as contracts progress can result in material adjustments to revenue and profit margins. Accordingly, we considered this as a key audit matter.	Our audit procedures included the following: • Assessment of the design and implementation of internal controls over the determination of the contract percentage of completion including the completeness and accuracy of the forecast cost to complete and tested the controls to determine if they were operating effectively. • Selecting a sample of contracts in order to challenge both current and future financial performance. • Assessment of the cost to complete forecasts methods. • Assessment of the Group's ability to deliver contracts within budgeted cost and timescales and any exposures to liquidated damages for late delivery of contract work by inspecting performance reports, legal reports, and correspondence with customers. • Testing the existence and valuation of claims and variations costs by inspecting correspondence with customers. • Assessment of management's estimates to determine any indication of future losses. • Assessment of management's estimates to determine warranty costs. • Assessment of the Group's disclosure relating to revenue in the consolidated financial statements against the requirements of IFRSs.

The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the Audit of Consolidated Financial Statements (Continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Hyperinflation adjustments A subsidiary of the Parent Company operates in the republic of Lebanon, which has been considered by the Group's management during the prior years, as a hyperinflationary in accordance with International Accounting Standard 29 Financial Reporting in hyperinflationary Economies ("IAS 29"). The basic principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date. Comparative figures for prior periods should be restated into the same current measuring unit. The Group performed the hyperinflation calculations which included utilizing the consumer price indices used as a basis for hyperinflation. The restated financial results of the Group's Lebanese operations are translated to the Group's reporting currency which is Kuwaiti Dinar, using publicly available price mechanism rates. The accounting policy and disclosures relating to this matter are presented in notes 22 and 2.3.15 respectively to the consolidated financial statements. The application of the requirements of IFRSs relative to hyperinflation required significant auditor attention. Given the significance of the quantitative impact, the complexities associated with hyperinflationary accounting and the extent of audit effort required, the application of hyperinflation accounting for the Group's operations located in the Republic of Lebanon and the related sensitivity disclosures were deemed to be a Key Audit Matter.	Our audit procedures included the following: • We obtained an understanding of the process implemented by the Group to determine the hyperinflation adjustments and disclosures. • We assessed the internal controls over the process implemented by the Group to determine the hyperinflation adjustments and disclosures to determine if they had been appropriately designed and implemented. • We assessed the inputs into the hyperinflation calculations with specific emphasis on the consumer price indices used; • We reperformed the mathematical accuracy of the hyperinflation adjustments and the determination of the net monetary gain or loss; • We determined if the exchange rates used to translate the hyper inflated statements of financial position, profit or loss and other comprehensive income and cash flows were in agreement with publicly available price mechanism rates and are in accordance with the requirements of IFRSs; and • We assessed the disclosure in the consolidated financial statements relating to this area against the requirements of IFRSs.
Impairment of hotel As at 31 December 2023, property plant and equipment includes a hotel recorded in the hyperinflationary subsidiary located in Lebanon with a carrying amount of KD 3.8 million (2022: KD 3.5 million). The hotel incurred losses for the current and prior years, which is an indication of impairment. Management of the group, with the assistance of an independent valuer, determined the recoverable value of the hotel based on fair value less costs to sell and its was concluded that the hotel's recoverable amount approximately equivalent to its carrying amount. Accordingly no impairment charged was recognised in profit or loss during the year (2022: impairment loss of KD 0.6 million).. Refer to notes 5 of these consolidated financial statements for further details. Determining the fair value requires management to make certain estimates and apply significant judgements. Consequently, we identified this matter as a key audit matter. Refer to note 5 of the consolidated financial statements for further details relating to this matter.	Our audit procedures included the following: • Evaluating the controls over the impairment process to determine if they had been appropriately designed and implemented. • Testing management's assessments of indicators relating to the hotel's impairment, taking into account current business conditions and other internal and external factors, including the financial performance of the hotel; • Assessing the skills, competence, qualifications and objectivity of the independent valuer and read their terms of their engagement with the Group to determine if the scope of their work was sufficient for audit purposes; • Together with our internal valuation specialists, we assessed the Group's valuation methodology, assumption and inputs applied in determining the recoverable amount, to determine if it was in compliance with the requirements of IFRSs; • Reperforming the mathematical accuracy of the valuation and agreeing the results of the valuation to the amount included in the consolidated financial statements; • Assessing the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Audit of Consolidated Financial Statements (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts 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 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 violation 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 31 December 2023 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



Bader A. AL-Wazzan
License No. 62A
Deloitte & Touche - Al Wazzan & Co.

Kuwait, 10 March 2024

The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.
And its Subsidiaries
State of Kuwait

Consolidated Statement of Financial Position as of 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Note	2023	2022
Assets			
Non current assets			
Property, plant and equipment	5	7,484,333	7,663,207
Investment properties	6	7,171,672	6,984,821
Investment in associates	7	1,665,287	1,768,204
Other assets		1,639	1,648
		16,322,931	16,417,880
Current assets			
Inventories	8	3,483,794	2,607,915
Trade receivables and other debit balances	9	21,463,851	19,405,041
Contracts assets	10	3,276,149	3,780,928
Cash and cash equivalents	11	7,342,297	9,237,368
		35,566,091	35,031,252
Total assets		51,889,022	51,449,132
Equity and liabilities			
Equity			
Share capital	12	12,162,908	12,162,908
Treasury shares	12	(384,831)	(382,353)
Statutory reserve	12	5,997,144	5,736,897
Voluntary reserve	12	5,966,592	5,706,345
Other reserves	13	3,373,716	2,867,620
Retained earnings		5,070,492	5,478,715
Total equity		32,186,021	31,570,132
Liabilities			
Non current liabilities			
Post employment benefits		2,712,681	2,698,467
Lease liabilities	14	189,218	246,364
		2,901,899	2,944,831
Current liabilities			
Trade payables and other credit balances	14	14,933,355	14,805,262
Contracts liabilities	10	1,867,747	2,128,907
		16,801,102	16,934,169
Total liabilities		19,703,001	19,879,000
Total equity and liabilities		51,889,022	51,449,132

The accompanying notes form an integral part of these consolidated financial statements.

Moayed Hamad Al Saleh
Vice Chairman & CEO

The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.
And its Subsidiaries
State of Kuwait

Consolidated Statement of Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Note	2023	2022
Revenue	15	31,800,572	25,942,041
Cost of sales	16	(28,565,585)	(22,267,228)
Gross profit		3,234,987	3,674,813
Net other operating income	17	229,867	162,694
Reversal of provisions and impairment	18	686,950	666,696
Group's share of associates results		(16,305)	(45,671)
Gross loss from hotel		(67,291)	(59,169)
General and administrative expenses	19	(1,869,080)	(1,922,780)
Net gain from Investment properties	20	426,426	355,161
Net Monetary loss from hyperinflation	22	(14,274)	-
Finance cost		(8,811)	(198)
Profit before deductions and Board of Directors' remuneration		2,602,469	2,831,546
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(23,422)	(25,484)
Contribution to National Labour Support Tax (NLST)		(32,067)	(47,429)
Contribution to Zakat		(12,827)	(18,972)
Board of Directors' remuneration		(48,000)	(48,000)
Net profit for the year		2,486,153	2,691,661
Earnings per share (fils)	21	20.95	22.68

The accompanying notes form an integral part of these consolidated financial statements.

The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.
And its Subsidiaries
State of Kuwait

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	2023	2022
Net profit for the year	2,486,153	2,691,661
Other comprehensive income items:		
Items that may be reclassified subsequently to consolidated statement of income:		
Exchange differences on translating foreign operations including the effect of hyperinflation	506,096	1,967,107
Total other comprehensive income items	506,096	1,967,107
Total comprehensive income for the year	2,992,249	4,658,768

The accompanying notes form an integral part of these consolidated financial statements.

The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.
And its Subsidiaries
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Consolidated Statement of Changes in Equity for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 13)	Retained earnings	Total
Balance as at 1 January 2022	11,583,722	(382,353)	5,453,742	5,423,190	900,513	6,871,656	29,850,470
Net profit for the year	-	-	-	-	-	2,691,661	2,691,661
Total other comprehensive income items	-	-	-	-	1,967,107	-	1,967,107
Bonus shares	579,186	-	-	-	-	(579,186)	-
Cash dividends	-	-	-	-	-	(2,939,106)	(2,939,106)
Transfer to reserves	-	-	283,155	283,155	-	(566,310)	-
Balance as at 31 December 2022	12,162,908	(382,353)	5,736,897	5,706,345	2,867,620	5,478,715	31,570,132
Balance as at 1 January 2023	12,162,908	(382,353)	5,736,897	5,706,345	2,867,620	5,478,715	31,570,132
Net profit for the year	-	-	-	-	-	2,486,153	2,486,153
Total other comprehensive income items	-	-	-	-	506,096	-	506,096
Cash dividends (Note 23)	-	-	-	-	-	(2,373,882)	(2,373,882)
Purchase of treasury shares	-	(2,478)	-	-	-	-	(2,478)
Transfer to reserves	-	-	260,247	260,247	-	(520,494)	-
Balance as at 31 December 2023	12,162,908	(384,831)	5,997,144	5,966,592	3,373,716	5,070,492	32,186,021

The accompanying notes form an integral part of these consolidated financial statements.

The Kuwait Company for Process Plant Construction and Contracting K.S.C.P.
And its Subsidiaries
State of Kuwait

Consolidated Statement of Cash Flows for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Note	2023	2022
Cash flows from operating activities			
Net profit for the year		2,486,153	2,691,661
Adjustments:			
Gain from change in fair value of investments properties		(186,851)	(115,920)
Group's share of results from associates		16,305	45,671
Provisions and impairment		(686,950)	(666,696)
Depreciation and amortization		2,198,157	1,397,924
Interest Income		(176,757)	(141,012)
Gain on disposal of fixed assets		-	296
Finance cost		8,811	198
Post-employment benefits		303,544	405,801
Net Monetary loss from hyperinflation		14,274	-
Operating profit before changing in working capital		3,976,686	3,617,923
Trade receivables and other debit balances		(2,058,810)	(3,718,089)
Inventories		(875,879)	159,075
Contracts assets		504,779	(2,714,236)
Trade payables and other credit balances		835,635	(416,974)
Contracts liabilities		(261,160)	(1,093,476)
Post-employment benefits – paid		(289,330)	(142,015)
Net cash generated/(used in) from operating activities		1,831,921	(4,307,792)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(1,419,508)	(1,266,728)
Interest Income		176,757	141,012
Purchase of investments properties		-	(3,997)
Proceed from investment in associates		65,373	-
Proceeds from sale of property, plant and equipment		37,179	3,072
Net cash used in investing activities		(1,140,199)	(1,126,641)
Cash flows from financing activities			
Net movement of borrowings and bank facilities		-	(39,635)
Lease liabilities paid		(76,917)	(126,469)
Dividends paid		(2,374,703)	(2,929,706)
Paid to purchase Treasury shares		(2,478)	-
Payment of finance cost		(8,811)	(4,335)
Net cash used in financing activities		(2,462,909)	(3,100,145)
Net changes in cash and cash equivalents		(1,771,187)	(8,534,578)
Effects of foreign currency translation and generated from hyperinflation adjustment		(123,884)	99,732
Cash and cash equivalents at the beginning of the year		9,237,368	17,672,214
Cash and cash equivalents at the end of the year	11	7,342,297	9,237,368

The accompanying notes form an integral part of these consolidated financial statements.

1. Constitution and activities

The Kuwait Company for Process Plant Construction and Contracting K.S.C.P, Kuwait (the "Parent Company") is a Kuwaiti shareholding company incorporated in the State of Kuwait on 24 February 1979. The Parent Company listed in Kuwait Stock Market.

The Parents' registered office is at P.O. Box 3404 Safat, 13035 Kuwait.

The main objectives of the Parent Company are:

- Execute civil, mechanical and electrical works.
- Import the required materials and equipment to such projects.
- Assume tasks of project management and the relevant consulting works in the field of civil, mechanical and electrical contracting.
- Execute civil, mechanical and electrical maintenance
- Import and sale of construction materials
- Direct participation in constructing the infrastructure of the projects, residential, commercial, and industrial projects through (B.O.T) system relevant to the Company's objectives
- Own properties and lands necessary to carry out its business
- Manufacture and sale of asphalt and readymade concrete and its related contracting.
- Utilize financial surpluses available to the company through investment in portfolios and funds managed by competent companies and authorities.
- Importing chemicals for the company's operating activities
- Waste treatment including construction waste for the company's operating activities.

The Parent Company may carry out the above business in the state of Kuwait or outside by itself or through agency. Also, the Parent Company may have an interest or be involved in any way with the entities that are engaged in similar activities or that may assist the Parent Company in achieving its objectives in Kuwait and abroad. The Parent Company may also buy these entities or merge with them.

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries detailed in Note 26 (together "the Group").

Subsequent to the financial statement date, the extraordinary general assembly meeting of the parent company has been held on 18 January 2024 and approved change some article in the memorandum of incorporation related to the parent company activities.

These consolidated financial statements were approved for issue by the Board of Directors on 10 March 2024 and are subject to approval of shareholders at the Annual General Assembly Meeting. The General Assembly of the shareholders have the authority to amend these consolidated financial statements after issuance.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance (IFRS Accounting Standards) (IFRSs). These consolidated financial statements have been prepared on the historical cost basis adjusted for measurement the effects of inflation where entities operate in hyperinflationary economics and modified by the revaluation of investment properties that remeasured at fair value as stated in the below mentioned accounting policies. These consolidated financial statements have been presented in Kuwaiti Dinars.

The Republic of Lebanon economy became hyperinflationary by the end of 2020. The Group's management concluded that impact of application of IAS 29 was not material as at 31 December 2020, accordingly, it was not accounted for as at that date. Starting from 2022, the Group has applied IAS 29 and results, cashflows and financial position of the Group's subsidiary & associates in Republic of Lebanon have been expressed in terms of the measuring unit current at the reporting date. The methods used to measure the fair value and adjustments made to the account of Group's entities that operate in the hyperinflationary economics are discussed further in the accounting policies and in the respective notes.

The Group's accounting policies has been applied based on a similar basis to all year presented, except as indicated in note 2.2.1 on the application of new and revised IFRSs and the application of IAS 29.

2.2 New and revised accounting standards

2.2.1 Effective for the current year

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Amendments to IAS 1 and IFRS Practice statement 2 – 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 'significant 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.
- Amendments to IAS 8 - 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".
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary exception from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The Group concluded that above-mentioned international standards do not have significant impact on the consolidated financial statements of the Group for the financial year ended 31 December 2023.

2.2.2 Standards issued but not yet effective.

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2024
Non-current liabilities with covenants	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 noncurrent).	

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	1 January 2024
IFRS S1 – General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from the regulator
IFRS S2 – Climate-related disclosures	This standard sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	1 January 2024 subject to endorsement from the regulator
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

2.3 Significant Accounting Policies

Following is the significant accounting policies adopted by the Group:

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Parent Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects 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 components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in consolidated statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill, arising on an acquisition of a subsidiary, is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations taken in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted in order to recognise the changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the investment's carrying amount and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of results of an associate and a joint venture is shown on top of the consolidated statement of income off the operating profit and also represents the profit or loss after deducting tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the associate or joint venture. At each reporting date, the Group determines whether there is an objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Impairment of an associate or a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture, upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through statement of income are recognised immediately in statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order 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 on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

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

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

Amortised cost and effective interest method

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

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised 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 amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in statement of income.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Group applied the simplified approach and measure the loss allowance for receivable at an amount equal to lifetime ECL. The expected credit losses on receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off receivable when there is information indicating that the debtor is in serve financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivable are over two years past due.

The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9, for financial instruments in Cash and bank balances. The Group uses external rating agency credit grades for assessing credit risk on these financial assets and these published grades are continuously monitored and updated.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not classified under the following items, are subsequently measured at amortized cost using the effective interest method: 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognized in consolidated statement of income.

2.3.3 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the consolidated statement of cash flows.

2.3.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods includes direct materials, direct labour and fixed and variable manufacturing overhead, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs of completion and costs necessary to make the sale.

2.3.5 Investment property

Land and buildings held for the purpose of capital appreciation or for long term rental yields and not occupied by the Group is classified as investment properties. Investment property is carried at fair value, representing the open market value determined periodically by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of its specific assets. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Changes in fair value are included in the consolidated statement of income.

Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

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

2.3.6 Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and accumulated impairment loss. Historical cost of an item of property and equipment comprises its acquisition cost and all directly attributable costs of bringing the asset to working condition for its intended use.

Capital work in progress is carried at cost less impairment losses, if any and transferred to the related asset category when ready for its intended use.

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

Depreciation is provided on a straight line basis over the estimated useful lives as follows:

Buildings	10-50 years
Equipment, Heavy Equipment and Vehicles	2-10 years
Furniture and fixtures	2-5 years

The carrying amount of property, plant and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment in its carrying value. If any such indication exists, an impairment loss is recognized in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of assets is the greater of their 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 the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

2.3.7 Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed and adjusted for impairment whenever there is an indication that an intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment and adjusted for the same, if any.

2.3.8 Post employment benefits

The Group is liable under various labour laws including the Kuwait Labour Law and Labour Laws of the countries in which the Group' subsidiaries operates, to make payments under defined benefit plans payable to employees at cessation of employment.

This liability, which is unfunded, has been computed as the amount payable as a result of involuntary termination on the statement of financial position date. This computation is used as a reliable approximation of the present value of this obligation to recognize this liability and the related cost as an expense of the year.

2.3.9 Provisions for liabilities

Provisions including provision for warranty costs are recognised, when as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation and the amount can be reliably estimated.

2.3.10 Treasury shares

Treasury shares consist of the Parent's own issued shares that have been reacquired by the Parent and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to the "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. 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.

2.3.11 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3.12 Revenue recognition

The Group executes construction projects for the benefit of third parties. Such contracts are entered into before executing these projects. Under the terms of these contracts, the Group has the right to receive the payments for any executed works. Therefore, revenues from these contracts shall be recognized throughout the project duration which is an input method. The stage of completion is measured based on the total costs incurred as a proportion of the estimated total costs to be performed. The management believes that this method is appropriate to measure of the progress towards complete satisfaction of all performance obligations under financial reporting requirements of IFRS 15.

Revenue from installation contracts is recognised over time of the contract.

Revenue from sale of goods is recognised on point of time.

Interest income is recognised on effective yield basis.

Dividend income is recognised when the right to receive payment is established.

2.3.13 Accounting for leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and

- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in consolidated statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

According to usage nature of the leased asset, the Group classifies the asset within a group of related assets. If the asset meets the definition of real estate investment "IAS 40", the Group measures the asset based on the accounting policy adopted in measuring real estate investments owned by the Group. However, if the asset meets the definition of property, plant and equipment, the Group measures the asset as per the accounting policy adopted in measuring the property, plant and equipment.

Generally, after the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the consolidated statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised 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 recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

2.3.14 Foreign currency transactions

The functional currency of the Parent is the Kuwaiti Dinar. The consolidated financial statements are presented in Kuwaiti Dinars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into Kuwaiti Dinars at the rates prevailing on the transaction date. Monetary assets and liabilities are translated into Kuwaiti Dinars at the rate of exchange ruling at the consolidated statement of financial position date. Resultant gains/ losses are taken to consolidated statement of income. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in the consolidated statement of comprehensive income.

The assets and liabilities of the foreign subsidiaries and foreign operations are translated into Kuwaiti Dinars at the closing rate on the date of the consolidated statement of financial position and income and expenses are translated at average exchange rates. The resultant exchange differences are recognized in the consolidated statement of comprehensive income and foreign currency translation reserve under equity.

Hyperinflationary economy

The financial statements of subsidiary and associates companies whose functional currency is the currency of a hyperinflationary economy are adjusted for the effect of inflation in accordance with the procedures described in Note 22 prior to their translation to Kuwaiti Dinars. Subsequently restated, all items of the financial statements are translated into Kuwaiti Dinars using the closing exchange rate identified using the publicly available price mechanism. Amounts shown for prior years are not restated at consolidation level as the presentation currency of the Group is not of a hyperinflationary economy. On consolidation, the effect of price changes in the prior periods on the financial statements of the subsidiary has been recognised directly in other comprehensive income.

2.3.15 Financial reporting in hyperinflationary economies

The financial statements of Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

In the first period of application, the adjustments determined at the beginning of the period are recognized directly in equity as an adjustment to opening retained earnings. In subsequent periods, the prior period adjustments related to components of owners' equity and differences arising on translation of comparative amounts are accounted for in other comprehensive income.

Items in the statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognized in the consolidated statement of income if the restated amount of a nonmonetary item exceeds its estimated recoverable amount.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items recognized in the consolidated statement of income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position are recognized in the consolidated statement of income.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

2.3.16 Segment reporting

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

2.3.17 Statutory deductions

KFAS

The Group calculates contribution to KFAS at 1% of profits in accordance with amended calculation based on a resolution of Foundation's BOD after disposal of transfer from net profit to Statutory reserve.

NLST

The Group calculates NLST in accordance with Law No. 19 of 2000 and Ministry of Finance's Resolution No.24 of 2006 at 2.5% of taxable profit of the year. As per Law, cash dividends of listed companies subjected to NLST have to be deducted from the profit for the year to determine taxable income.

Zakat

Zakat is calculated at 1% of profits in accordance with the Ministry of Finance resolution No 58. Of 2007.

Calculated Zakat is charged on the consolidated statement of income in accordance with these requirements.

3. Financial instruments

3.1 Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by a steering committee comprising of senior management and headed by the chairman. The committee identifies and evaluates financial risks in close co-operation with the Group's operating units and provides principles for overall risk management, as well as covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The significant risks that the Group is exposed to are discussed below:

(a) Market risk

Market risk, comprising of foreign exchange risk, interest rate risk and equity price risk arises due to movements in foreign currency rates, interest rates and market prices of assets.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has operations outside Kuwait and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UAE Dirhams. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the functional currency of the Parent Company and its subsidiaries. The Group's management monitors and measures currency exposures on recognized monetary assets and liabilities on a daily basis and manages this risk by setting limits on exposures to each currency and also to the extent possible by matching monetary assets and liabilities with similar currency exposures. The Group is not exposed to significant foreign exchange risk as financial assets and liabilities denominated in foreign currencies as at 31 December 2023 and 2022 are immaterial.

(ii) Interest rate risk

Interest rate risk arises from the risk that future cash flows or fair values of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from deposits and bank borrowings.

At 31 December 2023, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD Zero (KD 25,553 - 2022).

The Group's overall interest rate risks are monitored and interest rate sensitivity is measured on a daily basis by the risk management team.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of bank deposits and trade receivables and contract assets. The Group manages this risk by dealing with government bodies, customers and financial institutions with high credit rating and obtaining guarantee whenever possible.

The table below detail the credit rating of the financial assets and contract assets and the maximum exposure to the credit risk:

		31 December 2022					
	Note	Credit rating		Method used	Gross amount	ECL	NBV
		Internal	External				
Cash and cash equivalents	11	performing	Aa3 /Baa3	12-month ECL	9,194,687	(4,543)	9,190,144
Contract assets	10	(i)	N/A	Lifetime ECL	3,780,928	-	3,780,928
Trade receivables	9	(ii)	N/A	Lifetime	25,932,586	(9,780,856)	16,151,730

		31 December 2023					
	Note	Credit rating		Method used	Gross amount	ECL	NBV
		Internal	External				
Cash and cash equivalents	11	performing	Aa3 /Baa3	12-month ECL	7,292,795	(4,543)	7,288,252
Contract assets	10	(i)	N/A	Lifetime ECL	3,276,149	-	3,276,149
Trade receivables	9	(ii)	N/A	Lifetime ECL	27,275,857	(9,780,977)	17,494,880

(i) Although contract assets are subject to impairment testing in accordance with IFRS 9, the impact of expected credit losses is immaterial.

(ii) The Group has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL for trade receivable and contract assets. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The following table shows the calculation of credit losses:

	31 December 2022		
Aging brackets of post-paid trade receivables	**gross carrying amount at default**	**Expected credit loss rate**	**Lifetime ECL**
Less than 30 days	10,181,928	2.24%	228,156
31 – 60 days	826,331	1.32%	10,940
61 – 90 days	748,967	1.10%	8,258
91 – 120 days	1,455,646	5.02%	73,029
121 – 150 days	136,309	16.15%	22,008
151 – 180 days	76,801	13.37%	10,271
181 – 210 days	122,367	18.53%	22,679
211 – 240 days	28,573	25.34%	7,241
240 days and above	12,355,664	76.06%	9,398,274
	25,932,586		9,780,856

	31 December 2023		
Aging brackets of post-paid trade receivables	**gross carrying amount at default**	**Expected credit loss rate**	**Lifetime ECL**
Less than 30 days	12,721,749	0.75%	95,700
31 – 60 days	1,987,906	1.28%	25,457
61 – 90 days	162,232	6.95%	11,273
91 – 120 days	376,611	8.93%	33,632
121 – 150 days	72,670	16.08%	11,688
151 – 180 days	103,522	20.00%	20,704
181 – 210 days	182,195	26.37%	48,046
211 – 240 days	54,183	35.00%	18,964
240 days and above	11,614,789	81.92%	9,515,513
	27,275,857		9,780,977

Movement of provision for expected credit loss of trade and other receivables are as follows:

	2023	2022
Balance as at 1 January	9,780,856	9,744,986
Expected credit loss provided during the year	-	19,925
Reversal of expected credit loss during the year	-	(9,001)
Foreign exchange translation	121	24,946
Balance as at 31 December	9,780,977	9,780,856

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. Liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Total
At 31 December 2023			
Trade payables and other credit balances	14,933,355	-	14,933,355
Lease liabilities	171,900	189,218	361,118
At 31 December 2022			
Trade payables and other credit balances	14,805,262	-	14,805,262
Lease liabilities	191,671	246,364	438,035

3.2 Capital risk management

The Group manages its capital to ensure that` entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising share capital, reserves, retained earnings and treasury shares).

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one:Quoted prices in active markets for identical assets or liabilities.
- Level two:Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

The fair values of other financial assets and financial liabilities approximately equal its book value as at the consolidated financial statements date.

4. Critical accounting judgments and estimates

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

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

Classification of real estate investments

Management decides on acquisition of real estate whether it should be classified as held for trading or investment property.

The Group classifies property as held for trading if this is acquired principally for sale in the ordinary course of the business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the consolidated financial statements date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in note (3.3 and 6).

Impairment of non-financial assets

The Group reviews its non-financial assets periodically to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Note 5 sets out the impact thereof on the consolidated financial statements.

Impairment of financial assets

The Group assesses whether the credit risk associated with financial assets and other items has increased substantially since the initial recognition in order to determine whether the expected credit loss for the 12 month period or expected credit loss over the lifetime of the financial instrument should be recognized (Note 3.1)

Impairment of associates

Impairment testing of the associate is carried out when there is an indication of such impairment. Impairment is assessed for the entire carrying value of the Group's investment in the associate including goodwill, therefore no impairment study for goodwill is required independently.

Revenue recognition

Construction contract revenue is measured over the life of the project according to the percentage of completion method. The Group's management are required to exercise judgement in their assessment of the work performed, variation order; the completeness and accuracy of forecast costs to complete. The actual results of contracts can vary substantially. These estimates often need to be adjusted based on future events and when the results of items that were judged uncertain.

Warranty and commissioning provisions

The Group's management estimates the related provision for warranty and commissioning based on historical warranty claim and commissioning cost information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated warranty claim and commissioning cost include the success of Group's productivity and quality initiatives, as well as spare parts and labour costs (Note 14).

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries or associates is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales or purchase prices take expected losses of purchasing power during short credit period into account;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary. Following management's assessment, the Group's subsidiary & associates in Republic of Lebanon have been accounted for as an entity operating in hyperinflationary economy. The results, cash flows and financial positions of its subsidiary and associate have been expressed in terms of the measuring units current at the reporting date.

5. Property, plant and equipment

	Lands & buildings	Vehicles	Equipment & Heavy Equipment	Furniture & fixtures	Total
Cost					
As at 1 January 2022	12,189,935	6,227,602	11,848,864	1,715,208	31,981,609
Additions	433,247	443,809	421,144	146,178	1,444,378
Disposals	(191,579)	(166,031)	(370,283)	(99,764)	(827,657)
As at 31 December 2022	12,431,603	6,505,380	11,899,725	1,761,622	32,598,330
Additions	137,412	178,525	1,041,085	62,486	1,419,508
Disposals	-	(111,321)	(32,785)	(10,379)	(154,485)
As at 31 December 2023	12,569,015	6,572,584	12,908,025	1,813,729	33,863,353
Depreciation					
As at 1 January 2022	5,619,778	5,788,406	11,041,873	1,428,770	23,878,827
Charge for the year	409,099	433,289	428,770	125,385	1,396,543
Disposals	(188,521)	(166,005)	(370,174)	(99,589)	(824,289)
Impairment	556,520	-	-	-	556,520
As at 31 December 2022	6,396,876	6,055,690	11,100,469	1,454,566	25,007,601
Charge for the year	498,944	298,867	1,270,701	129,636	2,198,148
Disposals	-	(97,306)	(9,658)	(10,342)	(117,306)
As at 31 December 2023	6,895,820	6,257,251	12,361,512	1,573,860	27,088,443
Net book value (Before adjustments generated from Hyperinflation)					
As at 31 December 2022	6,034,727	449,690	799,256	307,056	7,590,729
As at 31 December 2023	5,673,195	315,333	546,513	239,869	6,774,910
Hyperinflation adjustments (Note 22)					
Effect as at 31 December 2021	(1,066,303)	(30)	(24,275)	(61,555)	(1,152,163)
Change in carrying value	2,900,967	-	350,931	76,441	3,328,339
Depreciation adjustments	(619,551)	-	(332,203)	(32,159)	(983,913)
Foreign currency translation adjustments	(1,076,820)	175	(17,152)	(25,988)	(1,119,785)
Effect as at 31 December 2022	138,293	145	(22,699)	(43,261)	72,478
Change in carrying value	4,335,527	-	560,807	510,896	5,407,230
Depreciation and impairment adjustments	(1,959,360)	-	(498,747)	(444,610)	(2,902,717)
Foreign currency translation adjustments	(1,799,063)	39	(13,328)	(55,216)	(1,867,568)
Effect as at 31 December 2023	715,397	184	26,033	(32,191)	709,423
Adjusted net carrying amount as at 31 December 2022	6,173,020	449,835	776,557	263,795	7,663,207
Adjusted net carrying amount as at 31 December 2023	6,388,592	315,517	572,546	207,678	7,484,333

Lands and buildings include leasehold lands leased from the Government of Kuwait of KD 1,201,062 and right of use leased lands of KD 721,631 as at 31 December 2023 (lands KD 1,201,062 and right of use leased lands of KD 445,047 – 2022), on which buildings are constructed with a carrying value of KD 1,162,851 as at 31 December 2023 (KD 1,236,720 - 2022).

- As a lessee, the Group has leased many assets, including buildings and lands. The average period of the leased buildings and leased lands are 5 years. The impact resulting from the application of IFRS 16 has been recorded under lands and buildings.
- Property, plant and equipment include hotel in Lebanon, the related net book value amounted to KD 3.8 Million approximately as at 31 December 2023 (KD 3.5 Million – 2022). The hotel incurs losses due to the continued effect of the Lebanese liquidity crises, which is an indication of impairment. The Group management concluded that the restated net book value after applying IAS 29 are equivalent approximately to the stated recoverable amount and accordingly no impairment has been recorded for the year ended 31 December 2023 (Impairment of KD 556,520 – 2022). The Group's management has determined the recoverable value of the hotel in accordance with the fair value less cost to sell in estimating the fair value of the property the highest and best use of the property represent in office units.

6. Investment properties

The below table is the investment properties movement during the year:

	2023	2022
Balance as at 1 January	6,984,821	6,757,770
Additions	-	3,997
Changes in fair value	186,851	115,920
Foreign currency translation differences	-	107,134
Balance as at 31 December	7,171,672	6,984,821

- The fair value of the Group's investment properties as at 31 December 2023 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuer not related to the Group. The independent valuer is registered at the related governmental bodies, and he has appropriate and recent experience in the valuation of properties in the relevant locations. The fair value of properties held for trading was determined based on market comparable method (Level 2).
- In estimating the fair value of the properties, the highest and best use of the properties is their current use.

7. Investment in associates

	Activities	Ownership %	2023	2022
Spears 1788 Group S.A.L.	Holding - Real Estate	40	1,528,864	1,631,781
Other			136,423	136,423
			1,665,287	1,768,204

7.1 Associates are accounted for using Equity method.

7.2 Below table showing the results of associate during the year:

	2023	2022
Balance as at 1 January	1,768,204	1,253,327
Share of results	(16,305)	(45,671)
Dividends received	(65,373)	-
Translation differences including effect of hyperinflation	(21,239)	560,548
Balance as at 31 December	1,665,287	1,768,204

7.3 Summarized financial information of Spears 1788 Group S.A.L. as at 31 December is as follows:

	2023	2022
Current assets	4,287	72,929
Non-current assets	6,275,015	6,003,163
Current liabilities	2,457,144	1,996,641

8. Inventories

	2023	2022
Raw materials	2,454,379	1,693,030
Spare parts	1,380,287	1,265,739
	3,834,666	2,958,769
Provision for obsolescence	(350,872)	(350,854)
	3,483,794	2,607,915

The cost of inventories recognized as expenses during the year in respect of cost of sales was KD 5,005,286 as at 31 Dec 2023 (2022: KD 4,459,015).

9. Trade receivables and other debit balances

	2023	2022
Trade receivables	15,507,987	15,424,518
Retention receivables	11,767,870	10,508,068
	27,275,857	25,932,586
Provision for expected credit loss	(9,780,977)	(9,780,856)
	17,494,880	16,151,730
Advance to suppliers	3,637,571	2,875,030
Other debit balances	331,400	378,281
	21,463,851	19,405,041

9.1 The ECL has been estimated in accordance with the simplified approach as per IFRS 9 (Note 3.1).

9.2 The Group holds letter of guarantee and letters of credit amounting to KD 243,000 as collaterals (KD 424,068 – 2022).

9.3 Subsequent to the date of the consolidated financial statements, the Group received an amount of 446,873 Kuwaiti dinars out of a total amount of 1,627,879 Kuwaiti dinars due to the group from a customer pursuant to the ruling issued in favor of the group by the Court of Appeal. That ruling was appealed by both parties.

10. Contracts assets / liabilities

	2023	2022
Construction costs incurred plus recognized profits less recognized losses to date	63,583,439	41,681,040
Less: progress billings	(62,175,037)	(40,029,019)
	1,408,402	1,652,021
Recognized and included in the consolidated financial statements as amounts:		
- Contracts assets	3,276,149	3,780,928
- Contracts liabilities	(1,867,747)	(2,128,907)
	1,408,402	1,652,021

- The Group recognizes the contracts assets of the executed works that are not invoiced to the customers. These amounts will be transferred subsequently to trade receivables upon issuing invoices to the customers.
- Contract liabilities represent in the amounts collected from customers in excess of the revenues recognized to the date according to completion method.

11. Cash and cash equivalents

	2023	2022
Current and call accounts	3,302,986	4,079,483
Time deposits	3,985,266	5,110,661
Cash on hand	54,045	47,224
	7,342,297	9,237,368

The average interest rate on the deposits was 3.2% to 4.0% as at 31 December 2023 (3.2% to 4.2% - 2022).

12. Equity

12.1 Share capital

The authorized, issued and paid share capital of the Parent Company amounted to KD 12,162,908 comprises of 121,629,083 shares of 100 fils each as of 31 December 2023 (KD 12,162,908 comprises of 121,629,083 shares as of 31 December 2022) and all shares are in cash.

12.2 Treasury shares

	2023	2022
Number of shares	2,944,756	2,934,477
Percentage of issued shares %	2.42	2.41
Market value (KD)	686,128	871,540

The Parent Company is required to retain reserves and retained earnings equivalent to the value of treasury shares throughout the year, during which they are held by the Parent Company, pursuant to instructions of the relevant regulatory authorities.

12.3 Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, and by virtue of a decision by the Ordinary General Assembly based on the BOD's proposal, a percentage not less than 10% of the profits shall be transferred annually to the statutory reserve. The General Assembly may discontinue such deduction if the statutory reserve exceeds half of the Parent Company paid up capital.

12.4 Voluntary reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, and by virtue of a decision by the Ordinary General Assembly based on the BOD's proposal, a percentage not less than 10% of the net profits may be transferred to provide the voluntary reserve for the purpose specified by the General Assembly.

13. Other reserves

	Treasury share reserve	Foreign currency translation reserve	Total
Balance as at 1 January 2022	585,174	315,339	900,513
Total other comprehensive income items	-	1,967,107	1,967,107
Balance as at 31 December 2022	585,174	2,282,446	2,867,620
Balance as at 1 January 2023	585,174	2,282,446	2,867,620
Total other comprehensive income items	-	506,096	506,096
Balance as at 31 December 2023	585,174	2,788,542	3,373,716

14. Trade payables and other credit balances

	2023	2022
Trade payables	6,623,434	6,127,154
Contract advances – construction	3,639,185	2,646,758
Provisions for warranty and maintenance	2,757,252	4,091,267
Accrued to staff	884,680	948,306
Accrued expense	194,049	163,286
Lease contracts liabilities	171,900	191,671
Cash dividends	146,870	147,691
Contribution to Zakat	12,827	10,216
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	23,422	25,420
Contribution to National Labour Support Tax (NLST)	32,067	25,539
Other credit balances	447,669	427,954
	14,933,355	14,805,262

Lease liabilities related to right of use assets as follows:

	2023	2022
Lease contracts liabilities – current		
Amounts due within 12 months	171,900	191,671
Lease contracts liabilities – non-current		
Amounts due after 12 months	189,218	246,364
	361,118	438,035

The movement on the provision for warranty, maintenance and others is as follows:

	2023	2022
Opening Balance	4,091,267	6,214,618
Provided	194,000	-
Used	(647,065)	(889,211)
Reversal	(880,950)	(1,234,140)
Closing Balance	2,757,252	4,091,267

- Provisions for the warranty and maintenance were provided to meet the obligations of the executed and delivered construction works to the customers in accordance with contracts. The provision made represents management's best estimate taking into consideration the expected cost to fulfil the obligation during the specified period.

15. Revenue

The Group's revenues arise from construction, installation, maintenance and sale of goods mainly in Kuwait:

	Timing of revenue recognition	2023	2022
Construction Contracts	Over time	23,309,957	17,266,554
Sales of goods	Point of time	5,729,980	5,897,808
Installation and maintenance	Over time	2,760,635	2,777,679
		31,800,572	25,942,041

Revenues from construction contracts include revenues of KD 14,320,501 (KD 5,171,345 - 2022) realized from contracts with government entities in the State of Kuwait.

The transaction price allocated to performance obligation not yet fulfilled as at 31 December 2023 is KD 54,778,018 (2022 – KD 64,465,818).

16. Cost of sales

	2023	2022
Materials	5,534,165	6,123,348
Staff costs	5,328,942	5,350,335
Subcontract costs	11,209,428	5,901,401
Repairs and maintenance	2,388,139	2,275,305
Depreciation and amortization	1,213,916	829,959
Lease rentals	1,423,304	835,694
Others	1,467,691	951,186
	28,565,585	22,267,228

17. Net of other operating income

	2023	2022
Interest Income	176,757	141,012
Other income	53,110	21,682
	229,867	162,694

18. Reversal of provisions and impairment

	2023	2022
Reversal of provision for warranty, maintenance and others	880,950	1,234,140
Provide of provision for warranty	(194,000)	-
Provision of expected credit losses – (note 3.1)	-	(19,925)
Reversal of expected credit losses – (note 3.1)	-	9,001
Impairment of property, plant and equipment (note 5)	-	(556,520)
	686,950	666,696

19. General and administrative expenses

	2023	2022
Salaries and wages	1,228,462	1,258,159
Depreciation and amortization	169,280	174,076
Lease rentals	34,692	25,539
Repairs and maintenance	28,273	28,759
Others	408,373	436,247
	1,869,080	1,922,780

20. Net gain from investment properties

	2023	2022
Rents revenue	509,272	432,444
Less: Rents expenses	(269,697)	(193,203)
Net rental income	239,575	239,241
Gain from change in fair value of investment properties	186,851	115,920
	426,426	355,161

21. Earnings per share

Earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year.

The weighted average number of shares outstanding during the year is calculated as follows:

	2023	2022
Weighted average number of issued and fully paid-up shares	121,629,083	121,629,083
Less: weighted average number of treasury shares	(2,938,303)	(2,934,477)
Weighted average number of shares outstanding	118,690,780	118,694,606
Net profit for the year	2,486,153	2,691,661
Earnings per share (fils)	20.95	22.68

22. HYPERINFLATION ADJUSTMENT

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the statement of financial position date and that comparative figures for prior periods be stated in the same terms to the latest statement of financial position date. This has been applied in Tameer Lebanon Holding Company (subsidiary) and Spears 1788 Group SAL (associate), and the restatement effect has been calculated by means of conversion factors derived from the Consumer Price Index (CPI) provided by The Central Administration of Statistics, Republic of Lebanon. The conversion factors used to restate the financial statements of the subsidiary are as follows:

Year	Index	Conversion factor
31-Dec-23	5,978	1.00
31-Dec-22	2,045	2.92
31-Dec-21	921	6.49
31-Dec-20	284	21.05
31-Dec-19	115	51.76
31-Dec-18	108	55.35
31-Dec-17	104	57.54
31-Dec-16	99	60.45
31-Dec-15	96	62.34
31-Dec-14	99	60.20
31-Dec-13	131	45.67
31-Dec-12	129	46.16
31-Dec-11	118	50.83
31-Dec-10	114	52.39
31-Dec-09	109	54.79
31-Dec-08	106	56.66

The above mentioned restatement has been accounted for as follows:

i. Financial statements prepared in the currency of a hyperinflationary economy are stated after applying the measuring unit current at the statement of financial position date and corresponding figures for the previous period are stated on the same basis. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held and items to be recovered or paid in money;

ii. Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and components of shareholders' equity are restated by applying the relevant conversion factors;

iii. Comparative financial statements are restated using general inflation indices in terms of the measuring unit current at the statement of financial position date.

iv. The effect on the net monetary position of the Group is included in the consolidated statement of income as a monetary gain or loss from hyperinflation

The movements in assets and liabilities due to hyperinflation are as follows:

	2023	2022
Property, plant and equipment (Note 5)	636,945	1,224,641
Investment in associate (Note 7)	(21,239)	560,548
Other impact on the consolidated statement of income and consolidated statement of changes in equity	(119,260)	62,715
Total impact of hyperinflation	496,446	1,847,904

The impact of hyperinflation is allocated as follows:

	2023	2022
Net Monetary loss from hyperinflation	(14,274)	-
Other comprehensive income	510,720	1,847,904
Total impact of hyperinflation	496,446	1,847,904

23. Dividends

- On 8 May 2023, the ordinary and extraordinary general assembly meeting of shareholders was held and approved the consolidated financial statements for the year ended 31 December 2022, also approved the below:
  - Board of Directors' remuneration of KD 48,000 for the year ended 31 December 2022.
  - Distributing 20% cash dividends for the year ended 31 December 2022 (after deducting treasury shares).
- On 10 March 2024, the Board of Directors proposed cash dividends of 15 Fils per share (after deduction of treasury shares) for the year ended 31 December 2023. In addition to 7% bonus shares.The Board also proposed BOD remuneration to members of KD 48,000. These proposals are subject to approval from the General Assembly of the Parent Company and the competent authorities.

24. Segmental information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. The Group CEO is identified as a chief operating decision maker for the Group.

The management of the Group assessed the Group into three key business units; Construction, installation and maintenance, Investment of surplus funds and hotels. These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The Construction, installation and maintenance primarily engages in the Construction, installation and maintenance works, maintenance for clients in the market. The Investment of surplus funds is related to investments in associates and investments properties. Also Hotels activities for rental income and assets based operations activities. The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment. Capital expenditure represents the total cost incurred during the year to acquire assets that are expected to be used for periods exceeding one year.

Year ended 31 December 2023	Construction, installation & maintenance	Investments	Hotels	Unallocated	Total
Operating income	31,800,572	697,266	467,752	897,021	33,862,611
Operating expenses	(28,565,585)	(261,576)	(557,993)	(1,991,305)	(31,376,458)
Net profit for the year	3,234,987	435,690	(90,241)	(1,094,284)	2,486,153
Assets	37,349,279	8,836,959	3,960,855	1,741,929	51,889,022
Liabilities	18,175,630	120,112	54,744	1,352,515	19,703,001

Year ended 31 December 2022	Construction, installation, & maintenance	Investments	Hotels	Unallocated	Total
Operating income	25,942,041	355,161	119,127	710,263	27,126,592
Operating expenses	(22,546,222)	(45,671)	(735,014)	(1,108,024)	(24,434,931)
Net profit for the year	3,395,819	309,490	(615,887)	(397,761)	2,691,661
Assets	37,483,511	8,753,025	3,477,488	1,735,108	51,449,132
Liabilities	18,387,523	112,805	13,095	1,365,577	19,879,000

Following are geographical information:

Year ended 31 December 2023	Revenues	Non-current assets
Kuwait	31,597,810	5,694,919
United Arab Emirates	713,571	6,412,315
Oman	1,083,478	24,791
Lebanon	467,752	4,190,906
	33,862,611	16,322,931

Year ended 31 December 2022	Revenues	Non-current assets
Kuwait	25,634,265	6,707,746
United Arab Emirates	355,161	6,238,413
Oman	1,018,039	39,814
Lebanon	119,127	3,431,907
	27,126,592	16,417,880

25. Related party transactions

The Group enters into transaction with related parties on terms and conditions approved by management. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business the Group enters into transactions with related parties, (i.e. companies owned by shareholders and directors). Terms of these transactions are approved by the Group's management.

Details of related parties balances and transactions other than those disclosed elsewhere in the financial statements are as follows:

Balances:

	2023	2022
Post employment benefits	226,828	200,034
Due from related parties	427,300	661,014

Transactions:

	2023	2022
Revenues	783,867	1,214,642
Salaries and other short-term employee benefits	646,529	740,192
Termination benefits	26,794	34,909
Board of Directors remuneration	48,000	48,000

26. Subsidiaries

Subsidiary	Percentage of Ownership (%)	
	2023	2022
KCPC Construction (L.L.C) - Dubai, United Arab Emirates	90	90
Prime 28 Limited - Dubai, United Arab Emirates	100	100
Mass International – Oman	70	70
KCPC - Qatar W.L.L – Qatar	50	50
Grey Lines Company O.P.C – Kuwait	100	100
Technical Kuwaiti Company for Elevators, Escalators & Contracting O.P.C - Kuwait	100	100
Tameer Holding Company S.A.L – Lebanon	100	100
Maamel Real Estate O.P.C – Kuwait	100	100
Tamara for Agriculture Contracting Company O.P.C. - Kuwait	100	100
Al.Maamel International Contracting Company – KSA	100	-

During the current year, the management has established a new subsidiary (Al.Maamel International Contracting Company O.P.C – KSA.).

Subsidiaries total assets consolidated in the consolidated financial statements amounted to KD 15,137,047 as at 31 December 2023 (KD 14,466,101 - 2022) and its net profit amounted to KD 922,648 (net profits KD 459,895 - 2022).

The management has relayed on Management account of subsidiaries with a total assets amounted to KD 852,459 in preparing the consolidated financial statement.

The objectives of the subsidiaries are to engage in contracting activities and ownership of real estate and land. Residual interests in subsidiaries incorporated in Kuwait are held through nominees, residual interests in subsidiaries incorporated outside Kuwait are held through letters of assignment.

27. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	2023	2022
Commitments		
Letters of credit	1,422,531	517,789
Contingent liabilities		
Letters of guarantee	51,301,244	45,182,124

28. Legal Cases

A Kuwaiti company ("the arbitrator") filed an arbitration dispute against the Kuwait Factories Construction and Contracting Company ("K.S.C.P") ("the arbitrator") demanding a total amount of US$9.4 million (equivalent to 2,914,000 Kuwaiti dinars) in addition to To legal interest from the due date until full payment, according to the agreement concluded on January 16, 2020. Subsequent to the date of the consolidated financial statements, a final ruling was issued in favor of the group that accepting the lawsuit in form and rejecting it in substance.