ملحق رقم (12)

نموذج الإعلان التصحيحي

التاريخ	13.03.2023
اسم الشركة المدرجة	شركة الكوت للمشاريع الصناعية
عنوان الإعلان*	النتائج المالية عن الفترة المنتهية في 31 ديسمبر 2022
تاريخ الإعلان السابق	13.03.2022
البيان الخاطئ في الإعلان السابق	نود أن نحيطكم علماً بأنه تم انعقاد اجتماع مجلس الإدارة لشركة الكوت للمشاريع الصناعية اليوم الأربعاء الموافق 16 مارس 2022 في تمام الساعة الواحدة ظهراً وتم اعتماد البيانات المالية المدققة للفترة المالية المنتهية في 31 ديسمبر 2021.
تصحيح الخطأ	نود أن نحيطكم علماً بأنه تم انعقاد اجتماع مجلس الإدارة لشركة الكوت للمشاريع الصناعية اليوم الاحد الموافق 12 مارس 2023 في تمام الساعة الواحدة ظهراً وتم اعتماد البيانات المالية المدققة للفترة المالية المنتهية في 31 ديسمبر 2022.
بيان أسباب الخطأ	خطأ مطبعي

***(إعلان تصحيحي) اسم الشركة (بخصوص) موضوع الإفصاح**

Financial Results Form Kuwaiti Company (KWD)	نموذج نتائج البيانات المالية الشركات الكويتية (د.ك.)

Company Name	اسم الشركة
Al Kout Industrial Projects	شركة الكوت للمشاريع الصناعية

Select from the list	2022-12-31	اختر من القائمة
Board of Directors Meeting Date	2023-03-12	تاريخ اجتماع مجلس الإدارة

Required Documents	المستندات الواجب إرفاقها بالنموذج
Approved financial statements. Approved auditor's report This form shall not be deemed to be complete unless the documents mentioned above are provided	نسخة من البيانات المالية المعتمدة نسخة من تقرير مراقب الحسابات المعتمد لا يعتبر هذا النموذج مكتملاً ما لم يتم وإرفاق هذه المستندات

التغيير (%) Change (%)	السنة المقارنة Comparative Year	السنة الحالية Current Year	البيان Statement
	2021-12-31	2022-12-31	
100	4,981,812	9,967,511	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
100	49.37	98.79	ربحية (خسارة) السهم الأساسية والمخففة Basic & Diluted Earnings per Share
6	17,143,071	18,215,171	الموجودات المتداولة Current Assets
7	38,730,668	41,523,339	إجمالي الموجودات Total Assets
-33	10,039,658	6,677,704	المطلوبات المتداولة Current Liabilities
-26	12,265,970	9,067,839	إجمالي المطلوبات Total Liabilities
23	26,464,698	32,455,500	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
23	31,353,876	38,427,857	إجمالي الإيرادات التشغيلية Total Operating Revenue
71	6,039,446	10,352,205	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)
0	-	-	الخسائر المتراكمة / رأس المال المدفوع Accumulated Loss / Paid-Up Share Capital

التغيير (%) Change (%)	الربع الرابع المقارن Fourth quarter Comparative Year 2021-12-31	الربع الرابع الحالي Fourth quarter Current Year 2022-12-31	البيان Statement
210	569,355	1,763,279	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
210	5.64	17.48	ربحية (خسارة) السهم الأساسية والمخففة Basic & Diluted Earnings per Share
16	8,712,961	10,143,974	إجمالي الإيرادات التشغيلية Total Operating Revenue
95	1,025,392	2,001,891	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)

- Not Applicable for first Quarter
- لا ينطبق على الربع الأول

Increase/Decrease in Net Profit (Loss) is due to	سبب ارتفاع/انخفاض صافي الربح (الخسارة)
The reason for the increase in profits is the improvement in sales volume, and prices of the products globally	سبب ارتفاع الارباح هو تحسن كمية المبيعات بالاضافة لارتفاع اسعار منتجات الشركة عالميا

Total Revenue realized from dealing with related parties (value, KWD)	-	بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)

Total Expenditures incurred from dealing with related parties (value, KWD)	375,866	بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)

Auditor Opinion			رأي مراقب الحسابات	
1.	Unqualified Opinion	☐	رأي غير متحفظ	.1
2.	Qualified Opinion	☒	رأي متحفظ	.2
3.	Disclaimer of Opinion	☐	عدم إبداء الرأي	.3
4.	Adverse Opinion	☐	رأي معاكس	.4

In the event of selecting item No. 2, 3 or 4, the following table must be filled out, and this form is not considered complete unless it is filled.

بحال اختيار بند رقم 2 أو 3 أو 4 يجب تعبئة الجدول التالي، ولا يعتبر هذا النموذج مكتملاً ما لم يتم تعبئته

نص رأي مراقب الحسابات كما ورد في التقرير	تم إدراج استثمار المجموعة في شركة الدرة للخدمات البترولية ش.م.ك. (مقفلة)، وهي شركة زميلة تم المحاسبة عنها باستخدام طريقة حقوق الملكية، بقيمة 2,684,419 دينار كويتي في بيان المركز المالي المجمع كما في 31 ديسمبر 2022، وتستند حصة المجموعة في ربح شركة زميلة بقيمة 51,513 دينار كويتي المدرجة ضمن بيان الأرباح أو الخسائر المجمع ، حيث إن البيانات المالية المجمعة المدققة غير متوفرة فيما يتعلق بهذه الشركة الزميلة كما في تاريخ التصريح بإصدار البيانات المالية المجمعة للمجموعة. نتيجة لذلك، لم نتمكن من الحصول على أدلة كافية ومناسبة حول القيمة الدفترية لاستثمار المجموعة في الشركة الزميلة كما في 31 ديسمبر 2022 وحصة المجموعة من الارباح والإيرادات الشاملة الأخرى للفترة المنتهية بذلك التاريخ. وبالتالي، لم نتمكن من تحديد ما إذا كانت أي تعديلات على هذه المبالغ ضرورية
شرح تفصيلي بالحالة التي استدعت مراقب الحسابات لإبداء الرأي	قام مدقق الحسابات في ابداء تحفظه لسبب عدم اعتماد البيانات المالية للفترة المنتهية في 2022.12.31 للشركة الزميلة، وبذلك رأى مدقق حسابات شركتنا بضروروة التحفظ إلى ان يتم توفر البيانات المالية المعتمدة
الخطوات التي ستقوم بها الشركة لمعالجة ما ورد في رأي مراقب الحسابات	تم التواصل مع إدارة الشركة الزميلة عدة مرات لتحديد جدول زمني وتسليم نسخة عن البيانات المالية المعتمدة من مراقب الحسابات للفترات اللاحقة
الجدول الزمني لتنفيذ الخطوات لمعالجة ما ورد في رأي مراقب الحسابات	الجدول الزمني يعتمد على استجابة الشركة الزميلة بتقديم البيانات المالية المعتمدة ضمن الفترة الزمنية المسموحة ودون تأثير افصاح بيانات المالية في المدة المحددة

Corporate Actions		استحقاقات الأسهم (الإجراءات المؤسسية)
النسبة	**القيمة**	
50%	اقتراح مجلس الإدارة بتوزيع ارباح نقدية بقيمة 50 فلس للسهم	توزيعات نقدية Cash Dividends
-	-	توزيعات أسهم منحة Bonus Share
-	-	توزيعات أخرى Other Dividend
-	-	عدم توزيع أرباح No Dividends
-	علاوة الإصدار Issue Premium	زيادة رأس المال Capital Increase
-	-	تخفيض رأس المال Capital Decrease

ختم الشركة **Company Seal**	التوقيع **Signature**	المسمى الوظيفي **Title**	الاسم **Name**
		الرئيس التنفيذي	فيصل يوسف مال الله

Al Kout Industrial Projects Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Al Kout Industrial Projects Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion"* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The Group's investment in Al Dorra Petroleum Services Company K.S.C. (Closed), an associate accounted for using the equity method, is carried at KD 2,684,419 on the consolidated statement of financial position as at 31 December 2022, and the Group's share of results of an associate amounting KD 51,513 included in the consolidated statement of profit or loss for the year then ended are based on management accounts, as audited consolidated financial statements are not available in respect of this associate as at the authorisation date of the Group's consolidated financial statements. As a result, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Group's investment in the associate as at 31 December 2022 and the Group's share of results for the year then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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 qualified opinion.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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 matter below, our description of how our audit addressed the matter is provided in that context.

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

We have identified the following key audit matters:

Impairment of goodwill

The Group has goodwill of KD 4,937,402 arising from past acquisition of a subsidiary, namely United Materials General Trading Company W.L.L.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less cost to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rate and the weighted-average cost of capital (discount rate).

Our audit procedures included, among others, the following:

- We involved our internal valuation specialists to assist us in challenging the methodology used in the impairment assessment and evaluating the appropriateness of the discount rates applied, which included comparing the discount rate used with sector averages for the relevant markets in which the CGUs operate.

- We assessed the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on knowledge of the client and the industry.

- We evaluated the adequacy of the Group's disclosures concerning goodwill in Note 11 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Impairment of goodwill (continued)

- We challenged management by comparing future cash flow assumptions to historic performance and local economic developments, taking into account the sensitivity tests of the goodwill balance for any changes in the respective assumptions.

Expected Credit Losses ("ECL") on trade receivables and contract assets

As at 31 December 2022, trade receivables and contract assets amounted to KD 10,221,127 representing 24.6% of the total assets.

The Group applies a simplified approach in calculating ECL for trade receivables and contract assets by establishing a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns.

Due to the significance of trade receivables and contract assets and the complexity involved in the ECL calculation, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information.

- We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report.

- Further, in order to evaluate the appropriateness of management judgements, we verified on a sample basis, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.

- We also considered the adequacy of the Group's disclosures relating to the ECL, management's assessment of the credit risk and their responses to such risks in Notes 13 and 26.1 to the consolidated financial statements.

Other information included in the Group's 2022 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 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.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2022 Annual Report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in the associate as at 31 December 2022 and the Group's share of results for the year then ended. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL KOUT INDUSTRIAL PROJECTS COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, except for the possible effects of the matter described in the *"Basis for Qualified Opinion"* paragraph above, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, except for the possible effects of the matter described in the *"Basis for Qualified Opinion"* paragraph above, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

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

12 March 2023
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
Revenue from contracts with customers	5	**38,427,857**	31,353,876
Cost of sales and services rendered	6	**(23,024,661)**	(21,823,274)
GROSS PROFIT		**15,403,196**	9,530,602
Commission income		**93,105**	92,973
Other income		**121,799**	83,607
General and administrative expenses		**(3,772,890)**	(2,809,595)
Other expenses		**(855,802)**	(305,938)
Allowance for expected credit losses on trade receivables	13	**(192,894)**	(512,868)
Provisions on a performance guarantee	21	**(497,500)**	-
Net foreign exchange differences		**53,191**	(39,335)
OPERATING PROFIT		**10,352,205**	6,039,446
Share of results of an associate	10	**51,513**	(414,113)
Changes in fair value of financial assets at fair value through profit or loss		**263,719**	(268,789)
Realised gain on sale of financial assets at fair value through profit or loss		**1,116**	-
Dividend income		**62,654**	44,160
Finance costs		**(146,882)**	(153,931)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		**10,584,325**	5,246,773
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		**(112,232)**	(48,327)
National Labour Support Tax ("NLST")		**(270,674)**	(130,352)
Zakat		**(114,658)**	(56,282)
Directors' remuneration	23	**(119,250)**	(30,000)
PROFIT FOR THE YEAR	6	**9,967,511**	4,981,812
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	7	**98.79 fils**	49.37 fils

The notes set out on pages 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 *KD*	*2021* *KD*
PROFIT FOR THE YEAR	**9,967,511**	4,981,812
Other comprehensive income (loss):		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**59,323**	(9,334)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	**59,323**	(9,334)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	**-**	47,019
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**-**	47,019
Other comprehensive income for the year	**59,323**	37,685
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,026,834**	5,019,497

The notes set out on pages 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	***2022 KD***	*2021 KD*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**14,627,779**	12,994,685
Right-of-use assets	9	**470,046**	548,990
Investment in an associate	10	**2,684,419**	2,632,906
Goodwill	11	**4,937,402**	4,937,402
Prepayments and other receivables	14	**588,522**	473,614
		23,308,168	21,587,597
Current assets			
Financial assets at fair value through profit or loss		**-**	715,116
Inventories	12	**3,144,372**	2,540,544
Trade receivables and contract assets	13	**10,221,127**	9,988,754
Prepayments and other receivables	14	**1,974,374**	2,112,491
Cash and cash equivalents	15	**2,875,298**	1,786,166
		18,215,171	17,143,071
TOTAL ASSETS		**41,523,339**	38,730,668
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**10,090,080**	10,090,080
Statutory reserve	17	**5,186,422**	5,186,422
Voluntary reserve	18	**5,148,415**	5,148,415
Effect of changes in other comprehensive income of an associate		**(2,562,823)**	(2,562,823)
Foreign currency translation reserve		**595,867**	536,544
Retained earnings		**13,997,539**	8,066,060
Total equity		**32,455,500**	26,464,698
Non-current liabilities			
Employees' end of service benefits	20	**2,086,228**	1,843,611
Lease liabilities	9	**303,907**	382,701
		2,390,135	2,226,312
Current liabilities			
Accounts payable and accruals	21	**6,487,886**	5,173,589
Lease liabilities	9	**189,818**	214,466
Loans and borrowings	19	**-**	4,651,603
		6,677,704	10,039,658
Total liabilities		**9,067,839**	12,265,970
TOTAL EQUITY AND LIABILITIES		**41,523,339**	38,730,668

Essa Khaled Essa Al-Saleh
Chairman

Faisal Youssef Malallah
Chief Executive Officer

The notes set out on pages 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Effect of changes in other comprehensive income of an associate KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*
As at 1 January 2022	**10,090,080**	**5,186,422**	**5,148,415**	**(2,562,823)**	**536,544**	**8,066,060**	**26,464,698**
Profit for the year	-	-	-	-	-	9,967,511	9,967,511
Other comprehensive income for the year	-	-	-	-	59,323	-	59,323
Total comprehensive income for the year	-	-	-	-	59,323	9,967,511	10,026,834
Cash dividends (Note 24)	-	-	-	-	-	(4,036,032)	(4,036,032)
At 31 December 2022	**10,090,080**	**5,186,422**	**5,148,415**	**(2,562,823)**	**595,867**	**13,997,539**	**32,455,500**
As at 1 January 2021	10,090,080	5,186,422	5,148,415	(2,609,842)	545,878	5,102,264	23,463,217
Profit for the year	-	-	-	-	-	4,981,812	4,981,812
Other comprehensive income (loss) for the year	-	-	-	47,019	(9,334)	-	37,685
Total comprehensive income (loss) for the year	-	-	-	47,019	(9,334)	4,981,812	5,019,497
Cash dividends (Note 24)	-	-	-	-	-	(2,018,016)	(2,018,016)
At 31 December 2021	10,090,080	5,186,422	5,148,415	(2,562,823)	536,544	8,066,060	26,464,698

The notes set out on pages 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022* *KD*	*2021* *KD*
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		**10,584,325**	5,246,773
Adjustments to reconcile profit before tax and directors' remuneration to net cash flows:			
Depreciation of property, plant and equipment	8	**2,438,628**	2,484,362
Depreciation on right-of-use assets	9	**292,475**	322,935
Allowance for expected credit losses on trade receivables	13	**192,894**	512,868
Provisions on a performance guarantee	21	**497,500**	-
Share of results of an associate	10	**(51,513)**	414,113
Changes in fair value of financial assets at fair value through profit or loss		**(263,719)**	268,789
Realised gain on sale of financial assets at fair value through profit or loss		**(1,116)**	-
Dividend income		**(62,654)**	(44,160)
Provision for employees' end of service benefits	20	**368,317**	411,247
Interest on loans and borrowings		**120,879**	129,696
Interest on lease liabilities	9	**26,003**	24,235
Gain on derecognition of leases	9	**(1,107)**	(45)
Rent concession income	9	**(22,803)**	-
		14,118,109	9,770,813
Working capital changes:			
Inventories		**(603,828)**	(801,344)
Trade receivables and contract assets		**(425,267)**	(290,968)
Prepayments and other receivables		**23,209**	(1,021,076)
Accounts payable and accruals		**502,096**	117,892
Cash flows from operations		**13,614,319**	7,775,317
Taxes paid		**(302,113)**	-
Employees end of service benefits paid	20	**(125,700)**	(443,940)
Net cash flows from operating activities		**13,186,506**	7,331,377
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(4,045,214)**	(1,616,495)
Proceeds from sale of financial assets at fair value through profit or loss		**979,951**	-
Dividend income received		**62,654**	44,160
Net cash flows used in investing activities		**(3,002,609)**	(1,572,335)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**8,450,000**	2,000,000
Repayment of borrowings		**(13,101,603)**	(3,195,784)
Finance costs paid		**(120,879)**	(129,696)
Payment of principal portion of lease liabilities	9	**(319,066)**	(327,837)
Dividends paid	24	**(4,036,032)**	(2,018,016)
Net cash flows used in financing activities		**(9,127,580)**	(3,671,333)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,056,317**	2,087,709
Cash and cash equivalents as at 1 January		**1,786,166**	(297,861)
Net foreign exchange differences		**32,815**	(3,682)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	15	**2,875,298**	1,786,166
Non-cash items excluded from the consolidated statement of cash flows:			
Additions to lease liabilities	9	**120,062**	367,575
Additions to right-of-use assets	9	**(120,062)**	(367,575)
Remeasurement of lease liabilities	9	**109,297**	-
Remeasurement of right-of-use assets	9	**(109,297)**	-
Derecognition of lease liabilities	9	**(16,935)**	(4,977)
Derecognition of right-of-use assets	9	**15,828**	4,932
		(1,107)	(45)

The notes set out on pages 1 to 28 form an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Al Kout Industrial Projects Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 12 March 2023 and the shareholders have the power to amend these consolidated financial statements at the Annual General Assembly Meeting ("AGM").

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved in the Annual General Assembly Meeting (AGM) of the shareholders of the Parent Company held on 19 April 2022.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company head office is located in Hamra Tower, 18th Floor, Abdulaziz Al-Sager street, Sharq and its registered postal address is PO Box 181, Ali Sabah Al Salem 65000, Kuwait.

The principal activities of the Group are, as follows:

- Import, storage and distribution of cement and other bulk materials; establishing, operating and managing storage silos; acquiring interest in other companies engaged in similar activities and investing surplus funds through portfolio managers in shares of investment and real estate companies.
- Production of chlorine and salt, steel drums to fill soda solid and other petrochemical products (after approval of Public Authority for Industry).
- Transport Company's products inside and outside the State of Kuwait according to Parent Company's objectives.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the Parent Company to practice its activities pursuant to the limits prescribed by law.
- Investing surplus funds in portfolios managed by specialised financial companies.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Parent Company achieve its objectives inside Kuwait and abroad. The Group may also purchase such entities or affiliate them.

Information on the Group's structure is provided in Note 2.2.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis except for financial asset at fair value through profit or loss that is measured at fair value.

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

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

The consolidated financial statements provide comparative information in respect of the previous year. Certain comparative information has been reclassified and represented to conform to classification in the current year. Such reclassification has been made to improve the quality of information presented.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements include the following subsidiaries:

			Equity interest %	
Entity	***Principal activities***	***Country of incorporation***	***2022***	*2021*
Directly held				
Al Kout Logistics and Transport Company W.L.L.*	Transportation services	Kuwait	**99.5**	99.5
Al Kout Petrochemical Products Company W.L.L.*	Blending of chemical products	Kuwait	**80**	80
Al Kout Industrial Projects Holding Company L.L.C.	Investment activities	Bahrain	**100**	100
Safewater Chemicals L.L.C.	Manufacture of Chlor Alkali products	United Arab Emirates	**100**	100
United Materials General Trading Company W.L.L. *	Sale of petrochemical products	Kuwait	**99**	99
Indirectly held through United Materials General Trading Company W.L.L.				
CISCO Trading Company W.L.L.*	Sale of petrochemical products	Kuwait	**99.99**	99.99
Safwan Enviro-Chem Technologies Company W.L.L.*	Sale of petrochemical products	Kuwait	**99.99**	99.99

* The remaining shares in these subsidiaries are held by other parties on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.3.1 New standards, interpretations, and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on consolidated financial statements as the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts.

Reference to the Conceptual Framework – *Amendments to IFRS 3*

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments arisen during the year.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 *Leases*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.3.1 New standards, interpretations, and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the year.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 *Insurance Contracts*
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Business combinations and goodwill (continued)

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

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

3.2 Investment in an associate

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.

The Group’s investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate. 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, 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 the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

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

3.3 Revenue from contracts with customers

The Group is primarily in the business of manufacturing and sale of chlor alkali and petrochemical products in the local and global market and providing other non-chlor alkali and petrochemical services (i.e. construction of chlorine dioxide plant for groundwater reservoirs, blending chemical services and logistics services). Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on the delivery of goods at the specific location when the risks of obsolescence and loss have been transferred to the customer, and there is no unfulfilled obligation that could affect the customer’s acceptance of the goods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue from contracts with customers (continued)

Sale of goods (continued)
The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. volume rebates). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group also provides retrospective volume rebates to certain customers once the quantity of goods purchased during the period exceeds the threshold specified in the contract. Volume rebates give rise to variable consideration.

- *Volume rebates*

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

(ii) Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when the customer pays for that good will be one year or less. The Group does not receive any long-term advances from customers.

Rendering of services
The Group is primarily engaged in providing the following services:

Blending chemicals services
The Group provides blending of chemicals services to customers under fixed-price contracts. Revenue from blending of chemicals services is recognised over-time when the services are rendered.

The Group elected to apply the ‘right to invoice’ practical expedient for contracts that contain fixed amounts and rates for manpower and materials specified in a contract, when the Group determines that right to consideration from a customer corresponds directly with the value of the Group’s performance completed to date.

Logistic services
The Group generates revenues from providing transportation services to the customers. Revenue is recognised when the Group satisfies the performance obligation by transferring the control of service to the customer.

Construction of chlorine dioxide plant for groundwater reservoirs
The Group provides certain construction services that represents performing a contractually agreed-upon task(s) for a customer as part of a single arrangement which include a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer. The Group determines the transaction price by considering the terms of the contract and the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue from contracts with customers (continued)

Construction of chlorine dioxide plant for groundwater reservoirs (continued)
Revenue from construction services is recognised over-time, using an input method by reference to the stage of completion of the contract. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of expenses incurred that are recoverable. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on proportion of total contract costs incurred to date and the estimated costs to complete.

Variation orders and claims are recognised only when there is no uncertainty of acceptance by customers. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract balances

Contract assets
A contract asset is initially recognised for revenue earned from sale of services because the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to expected credit losses assessment. Refer to accounting policies on impairment of financial assets in under *Financial instruments – initial recognition and subsequent measurement.*

Contract liabilities
Contract liabilities include advance payments received from customers, e.g. advance payments for service contracts and extended warranties, for which revenue is recognised when the service is provided. Contract liabilities pertaining to obligations that are due to be performed within twelve months from the reporting period are presented under current liabilities.

3.4 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

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

3.7 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Current versus non-current classification

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

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

3.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is not depreciated. Following completion, capital work in progress is transferred into the relevant class of property, plant and equipment.

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

▸ Buildings	5 – 20	years
▸ Plant and machinery	5 – 10	years
▸ Furniture and fixtures	1 – 3	years
▸ Motor Vehicles	5 – 10	years

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

3.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

Group as a lessee (continued)

▸ *Right-of-use assets*

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

▸ *Lease liabilities*

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

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

▸ *Short-term leases and leases of low-value assets*

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

3.11 Impairment of non-financial assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of non-financial assets (continued)

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

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

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

3.12 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

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

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

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

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments designated at fair value through OCI.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has no equity instruments designated at fair value through OCI.

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in consolidated statement of profit or loss.

The Group's financial assets include cash and bank balances, accounts receivable and other receivables which are measured at amortised cost and an investment security measured at fair value through profit or loss.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Derecognition (continued)

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

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

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due except in case of receivables from government customers, where repayments are expected within 1–2 years. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Financial liabilities (continued)

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

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

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

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

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

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

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

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

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

- Stock in trade - purchase cost on a weighted average basis
- Raw materials - purchase cost on a weighted average basis
- Spares and consumables - purchase cost on a weighted average basis
- Goods in transit - purchase cost incurred up to the reporting date

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

3.14 Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

3.16 Contingencies

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

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

3.17 Foreign currencies

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

Transactions and balances

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

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

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

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

Group companies

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Events after the reporting period

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

3.19 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Significant judgments

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

Revenue from contracts with customers involving sale of goods

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

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions

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

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Useful lives of depreciable assets

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

Provision for impairment of inventories

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

Impairment of investment in an associate

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Provision for expected credit losses of trade receivables and contract assets and other receivables

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

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

5.1 Disaggregated revenue information
Set out below is the disaggregation of the Group's revenue from contracts with customers based on type of sales and services:

	2022	*2021*
	KD	*KD*
Types of goods or services		
Sale of Chlor Alkali	**25,866,409**	19,202,627
Sale of industrial materials	**12,037,363**	10,253,314
Blending of chemicals services	**80,883**	57,591
Construction of chlorine dioxide plant for groundwater reservoirs	**401,393**	1,451,475
Logistic services	**41,809**	388,869
Total revenue from contracts with customers	**38,427,857**	31,353,876
Geographical markets		
Kuwait	**23,621,428**	21,281,902
Other MENA	**12,711,007**	6,684,975
Asia	**386,040**	383,142
South America and North America	**437,208**	1,275,947
Others	**1,272,174**	1,727,910
Total revenue from contracts with customers	**38,427,857**	31,353,876
Timing of revenue recognition		
Goods and services transferred at a point in time	**37,903,772**	29,455,941
Goods and services transferred over time	**524,085**	1,897,935
Total revenue from contracts with customers	**38,427,857**	31,353,876

5 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

5.2 Contract balances

	2022 KD	*2021 KD*
Trade receivables (Note 13)	**10,221,127**	9,893,791
Contract assets (Note 13)	**-**	94,963
Contract liabilities (Note 21)	**68,433**	-

6 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2022 KD	*2021 KD*
Included in cost of sales and services rendered:		
Staff costs	**2,106,284**	2,368,134
Depreciation of property, plant and equipment (Note 8)	**2,371,817**	2,395,773
Cost of inventories recognised as an expense (Note 12)	**12,172,847**	10,444,101
Included in general and administrative expenses:		
Staff costs	**2,802,114**	1,970,156
Depreciation of property, plant and equipment (Note 8)	**66,811**	88,589
Depreciation of right-of-use assets (Note 9)	**292,475**	322,935

	2022 KD	*2021 KD*
Included in other expenses:		
Staff costs	**391,777**	169,817

Reconciliation of cost of sales and services rendered:	***2022 KD***	*2021 KD*
Raw material as at 1 January	**556,723**	436,936
Purchases during the year	**12,918,394**	10,849,829
Raw materials as at 31 December (Note 12)	**(520,046)**	(556,723)
Cost of raw materials transferred to production during the year	**12,955,071**	10,730,042
Finished goods as at 1 January	**1,484,498**	1,198,557
Finished goods as at 31 December (Note 12)	**(2,266,722)**	(1,484,498)
Costs of inventories recognised as an expense during the year (Note 12)	**12,172,847**	10,444,101
Staff costs	**2,106,284**	2,368,134
Depreciation of property, plant and equipment	**2,371,817**	2,395,773
Other miscellaneous expenses	**6,373,713**	6,615,266
	23,024,661	21,823,274

7 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	2022	*2021*
Profit or the year (KD)	**9,967,511**	4,981,812
Weighted average number of shares outstanding during the year (shares)	**100,900,800**	100,900,800
Basic and diluted EPS (Fils)	**98.79**	49.37

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the authorisation date of these consolidated financial statements.

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings KD*	*Plant and machinery KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:						
At 1 January 2021	10,425,227	37,165,262	1,383,207	4,906,881	6,719,682	60,600,259
Additions	8,987	202,856	48,723	-	1,355,929	1,616,495
Transfers	-	628,071	-	-	(628,071)	-
Exchange differences	(7,260)	(18,554)	(318)	(1,874)	-	(28,006)
At 31 December 2021	10,426,954	37,977,635	1,431,612	4,905,007	7,447,540	62,188,748
Additions	6,098	30,600	35,409	16,500	3,956,607	4,045,214
Transfers	23,358	4,128,047	12,722	-	(4,164,127)	-
Disposal	-	-	-	(5,850)	-	(5,850)
Exchange differences	40,004	103,466	1,770	10,305	-	155,545
At 31 December 2022	**10,496,414**	**42,239,748**	**1,481,513**	**4,925,962**	**7,240,020**	**66,383,657**
Depreciation and impairment:						
At 1 January 2021	8,878,505	29,019,462	1,303,190	4,092,236	3,438,662	46,732,055
Depreciation charge for the year	325,482	1,833,185	58,228	267,467	-	2,484,362
Exchange differences	(5,652)	(14,662)	(286)	(1,754)	-	(22,354)
At 31 December 2021	9,198,335	30,837,985	1,361,132	4,357,949	3,438,662	49,194,063
Depreciation charge for the year	331,786	1,826,874	58,327	221,641	-	2,438,628
Disposal	-	-	-	(5,850)	-	(5,850)
Exchange differences	32,756	84,564	1,691	10,026	-	129,037
At 31 December 2022	**9,562,877**	**32,749,423**	**1,421,150**	**4,583,766**	**3,438,662**	**51,755,878**
Net book value:						
At 31 December 2022	**933,537**	**9,490,325**	**60,363**	**342,196**	**3,801,358**	**14,627,779**
At 31 December 2021	1,228,619	7,139,650	70,480	547,058	4,008,878	12,994,685

* The Group has a certain building located in the State of Kuwait which is constructed on a leasehold land granted by the Public Authority for Industry (PAI). During the previous year, the management of the Group had renewed the lease of this building for five years.

8 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation included in the consolidated statement of profit or loss is allocated, as follows:

	2022	*2021*
	KD	*KD*
Cost of sales and services rendered (Note 6)	**2,371,817**	2,395,773
General and administrative expenses (Note 6)	**66,811**	88,589
	2,438,628	2,484,362

9 LEASES

Group as a lessee
The Group has several lease contracts for office premises, labour accommodation and motor vehicles used in its operations. Leases of property generally have lease terms between 1 and 5 years, while motor vehicles and other equipment generally have lease terms between 1 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

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

	2022	*2021*
	KD	*KD*
As at 1 January	**548,990**	509,282
Additions	**120,062**	367,575
Remeasurement of right-of-use assets	**109,297**	-
Derecognition of right-of-use assets	**(15,828)**	(4,932)
Depreciation expense	**(292,475)**	(322,935)
As at 31 December	**470,046**	548,990

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

	2022	*2021*
	KD	*KD*
As at 1 January	**597,167**	538,171
Additions	**120,062**	367,575
Remeasurement of lease liabilities	**109,297**	-
Derecognition of lease liabilities	**(16,935)**	(4,977)
Accretion of interest	**26,003**	24,235
Payments	**(319,066)**	(327,837)
Rent concession	**(22,803)**	-
As at 31 December	**493,725**	597,167

	2022	*2021*
	KD	*KD*
Non-current	**303,907**	382,701
Current	**189,818**	214,466

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is in the range of 2.5% to 4%.

The maturity analysis of lease liabilities is disclosed in Note 26.2.

9 LEASES (continued)

Group as a lessee (continued)

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

	2022	*2021*
	KD	*KD*
Depreciation of right-of-use assets (included in general and administrative)	**292,475**	322,935
Interest on lease liabilities (included in finance costs)	**26,003**	24,235
Total amount recognised in the consolidated statement of profit or loss	**318,478**	347,170

The Group had total cash outflows for leases of KD 319,066 in 2022 (KD 327,837 in 2021). The Group also had non-cash additions to right-of-use assets and lease liabilities of KD 120,062 in 2022 (KD 367,575 in 2021) and remeasurement of right-of-use assets and lease liabilities arising from lease modification of KD 109,297 in 2022 (KD Nil in 2021).

10 INVESTMENTS IN AN ASSOCIATE

The Group has 36.92% (2021: 36.92%) interest in Al Dorra Petroleum Services Company K.S.C. (Closed), an associate involved in providing integrated services in the oil and gas sector. The Group's interest in its associate is accounted for using the equity method. The above associate is a private entity that is not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

In the current year, the management considered that the fair value is unlikely to be materially different from the carrying value. The management reviewed the carrying values of its associates to determine whether any impairment has occurred and based on its analysis, accordingly, the management has not recorded impairment loss in the consolidated statement of profit or loss for the year (2021: KD Nil).

A reconciliation of the summarised financial information to the carrying amount of the associate is set out below:

Reconciliation to carrying amount	***2022***	*2021*
	KD	*KD*
As at 1 January	**2,632,906**	3,000,000
Share of results	**51,513**	(414,113)
Share of other comprehensive income	**-**	47,019
As at 31 December	**2,684,419**	2,632,906

10 INVESTMENTS IN AN ASSOCIATE (continued)

Summarised financial information for the associate
The following table illustrates the summarised financial information of the Group's investment in the associate:

Summarised statement of financial position

	2022 ***KD***	*2021* *KD*
Current assets	**28,423,796**	28,421,372
Non-current assets	**12,550,822**	12,683,894
Current liabilities	**(6,782,220)**	(6,902,269)
Non-current liabilities	**(13,860,285)**	(14,148,203)
Non-controlling interests	**(1,338,213)**	(1,200,420)
Equity attributable to shareholders of the parent company of the associate	**18,993,900**	18,854,374
Group's share in equity 36.92% (2021: 36.92%)	**7,012,548**	6,961,035
Impairment	**(4,328,129)**	(4,328,129)
Group's carrying amount of the investment	**2,684,419**	2,632,906

Summarised statement of profit or loss and other comprehensive income

	2022 ***KD***	*2021* *KD*
Income	**14,347,450**	12,773,966
Expenses	**(13,950,131)**	(13,737,412)
Non-controlling interests	**(257,793)**	(158,204)
Profit (loss) for the year attributable to shareholders of the parent company of the associate	**139,526**	(1,121,650)
Other comprehensive income that will not be reclassified to profit or loss in the subsequent periods	**-**	127,354
Total other comprehensive income for the year	**-**	127,354
Group's share of results for the year	**51,513**	(414,113)
Group's share of other comprehensive income for the year	**-**	47,019

The associate had contingent liabilities and commitments of KD 14,105,176 as at 31 December 2022 (2021: KD 14,351,999).

11 GOODWILL

Impairment test for goodwill
The Group performed its annual impairment test for goodwill in December 2022 and 2021. The recoverable amount of the goodwill has been determined based on a value in use calculation of the cash generating unit (CGU), using cash flow projections approved by senior management covering a five-year period. The pre-tax discount rate of 20.1% (2021: 11.7%) applied to cash flow projections beyond the five-year period are extrapolated using a terminal growth rate of 7.00% (2021: 2.5%). The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin.

As a result of this analysis, there is headroom of KD 2,051,422 (2021: 8,795,271) and management did not identify an impairment for this CGU.

11 GOODWILL (continued)

Impairment test for goodwill (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period

Annual revenue growth rate during the forecast period
Annual revenue growth rate assumptions are based on average growth rates achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates
Assumptions are based on published industry research.

Sensitivity to changes in assumptions
With respect to management's assessment of value in use of the cash generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

12 INVENTORIES

	2022 ***KD***	*2021* *KD*
Finished goods and goods for resale (at lower of cost and net realisable value)	**2,266,722**	1,484,498
Raw materials (at cost)	**520,046**	556,723
Spare parts and consumables (at cost)	**357,604**	499,323
Total inventories at the lower of cost and net realisable value	**3,144,372**	2,540,544

During 2022, KD 12,172,847 (2021: KD 10,444,101) was recognised as an expense for inventories carried at net realisable value. This is recognised in 'cost of sales and services rendered' (Note 6).

13 TRADE RECEIVABLES AND CONTRACT ASSETS

	2022	*2021*
	KD	*KD*
Trade receivables	**10,722,494**	10,202,264
Less: Allowance for expected credit losses	**(501,367)**	(308,473)
	10,221,127	9,893,791
Contract assets	**461,119**	556,082
Less: Allowance for expected credit losses	**(461,119)**	(461,119)
	-	94,963
	10,221,127	9,988,754

- Trade receivables are non-interest bearing and are generally on terms of 90 to 180 days.
- Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

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

	2022	*2021*
	KD	*KD*
As at 1 January	**769,592**	256,724
Provision for expected credit losses	**192,894**	543,252
Unused amount reversed	**-**	(30,384)
As at 31 December	**962,486**	769,592

Note 26.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's trade receivables and contract assets.

14 PREPAYMENTS AND OTHER RECEIVABLES

	2022	*2021*
	KD	*KD*
Advances to suppliers	**1,454,302**	1,620,018
Prepayments	**284,524**	298,059
Retention receivable	**588,522**	473,614
Other receivables	**235,548**	194,414
	2,562,896	2,586,105
Represented by:		
Non-current	**588,522**	473,614
Current	**1,974,374**	2,112,491
	2,562,896	2,586,105

The net carrying value of other receivables is considered a reasonable approximation of fair value.

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Other receivables do not contain impaired assets.

15 CASH AND CASH EQUIVALENTS

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

	2022	*2021*
	KD	*KD*
Cash on hand	**21,078**	13,477
Cash at banks	**1,924,520**	1,772,689
Cash and bank balances	**1,945,598**	1,786,166
Term deposit whose original maturity is within 3 months	**929,700**	-
Cash and cash equivalents	**2,875,298**	1,786,166

Term deposit with original maturity within 3 months is placed with a local commercial bank and carry an interest rate of 4.5% per annum.

The Group has bank overdraft facilities up to KD 2,250,000 (2021: KD 2,250,000) that is unsecured. Interest would be payable at the CBK discount rate plus 100 basis points (2021: CBK discount rate plus 100 basis points).

At 31 December 2022, the Group had available KD 2,250,000 (2021: KD 2,250,000) of undrawn committed borrowing facilities.

16 SHARE CAPITAL

	Number of shares		***Authorised, issued and fully paid***	
	2022	*2021*	***2022***	*2021*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**100,900,800**	100,900,800	**10,090,080**	10,090,080

17 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

No transfer has been made to the statutory reserve during the current year as the reserve exceeds 50% of the issued share capital as at 31 December 2022.

18 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

No transfer has been made to the voluntary reserve during the current year as the reserve exceeds 50% of the issued share capital as at 31 December 2022.

19 LOANS AND BORROWINGS

	2022	*2021*
	KD	*KD*
Gross amount	-	3,663,108
Less: deferred finance costs	-	(11,505)
Islamic finance payables (Murabaha)	-	3,651,603
Short-term loan	-	1,000,000
	-	4,651,603
Current	-	4,651,603

	Effective interest rate	***Maturity***	***2022***	*2021*
			KD	*KD*
Unsecured				
KD 7,000,000 Murabaha facility	CBK discount rate +1%	15 February 2022	-	3,651,603
KD 1,500,000 short term revolving loan facility	CBK discount rate +1%	31 July 2022	-	1,000,000
			-	4,651,603

20 EMPLOYEES' END OF SERVICE BENEFITS

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

	2022	*2021*
	KD	*KD*
As at 1 January	**1,843,611**	1,876,304
Charge for the year	**368,317**	411,247
Payments	**(125,700)**	(443,940)
As at 31 December	**2,086,228**	1,843,611

21 ACCOUNTS PAYABLE AND ACCRUALS

	2022	*2021*
	KD	*KD*
Trade payables	**1,744,408**	1,970,896
Accrued staff costs	**509,639**	450,893
Accrued staff bonus	**1,015,000**	558,487
Taxes payable	**555,879**	338,249
Advances received from customers	**516,248**	573,889
Provisions on a performance guarantee *	**497,500**	-
Contract liabilities **	**68,433**	-
Dividends payable	**37,542**	4,362
Accrued directors' remuneration	**122,250**	30,000
Other payables	**1,420,987**	1,246,813
	6,487,886	5,173,589

* During the year, the Group has estimated and recorded provisions on a performance guarantee amounting to KD 497,500 (2021: Nil) included in the consolidated statement of profit or loss in respect to a performance guarantee issued by a local bank for the performance of a certain project. The Group has concluded that its probable that that an outflow of resources embodying economic benefits will be required to settle the obligation, and hence recorded the provision as a liability as of 31 December 2022.

21 ACCOUNTS PAYABLE AND ACCRUALS (continued)

** The significant increase in contract liabilities in 2022 was mainly due to the advances received from a sub-contractor during the year relating to a project in progress for which performance obligations are partially satisfied. Management expects that the unsatisfied performance obligations as of 31 December 2022 will be recognised as revenue in the upcoming year. The amount disclosed above does not include variable consideration which is constrained.

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled within 90 days from the date of purchase.
- Other payables are non-interest bearing and have an average term of three months

For explanations on the Group's liquidity risk management processes, refer to Note 26.2.

22 COMMITMENTS AND CONTINGENCIES

22.1 Capital commitments
The Group has commitments in respect of future capital expenditure amounting to KD 1,530,187 (2021: KD 497,943) relating to ongoing projects under construction.

22.2 Legal contingency
During the prior year ended 31 December 2021, the Ministry of Electricity and Water (MEW) in the State of Kuwait has decided to withdraw a certain contract, namely North Az-Zour Chlorine Dioxide Plant Project ("Contract") for an alleged breach of terms and specifications set forth in the Contract and inability to implement the contractual obligations therein. The Parent Company requested MEW and the Central Tenders Committee to consider the revocation of termination and reinstatement of the Contract.

The Parent Company has filed the following legal cases against MEW:

- On 9 September 2021, the Parent Company filed a Burden of Proof (No. 904-2021) against MEW. During the current year, the court referred the legal case to the experts' department to verify the elements of the lawsuit and submit their findings accordingly. Subsequent to the reporting date, on 12 February 2023, the experts' department has issued and submitted their report to the court, and the court hearing has not been scheduled yet. Accordingly, the discovery proceedings on the legal action are still in progress as at the authorisation date of the consolidated financial statements.

- On 17 October 2021, the Parent Company filed a substantive case (No. 2021/5035) to commence a legal action against MEW to preserve its financial and legal rights. During the current year, the court has assigned an engineering expert committee to verify the elements of the lawsuit, estimate the progress of work executed by the Parent Company, verify the alleged breaches by either party along with its reasoning, and in case of MEW's default, provide a full financial estimate of the compensation which will be eligible for the Parent Company from MEW. The engineering expert committee is currently in the process of completing the report which will be submitted to the court upon completion. The court date will be scheduled once the engineering expert committee finalizes their report. Accordingly, the discovery proceedings on the legal action are still in progress as at the authorisation date of the consolidated financial statements.

The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these consolidated financial statements of the Group as at 31 December 2022.

22.3 Other contingencies
At 31 December 2022, the Group's bankers had outstanding letter of guarantees and credits amounting to KD 5,464,507 (2021: KD 6,809,425) for the performance of certain contracts from which it is anticipated that no material liabilities will arise.

23 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

As at the reporting date, no balances / transactions reported under the consolidated statement of the financial position and consolidated statement of profit or loss.

23 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel were as follows.

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*
Salaries and other short-term benefits	**340,702**	332,913	**47,292**	32,990
Employees end of service benefits	**35,164**	24,185	**69,126**	33,962
	375,866	357,098	**116,418**	66,952

The Board of Directors of the Parent Company has proposed directors' remuneration of KD 119,250 for the year ended 31 December 2022 (2021: KD 30,000). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

The Board of Directors at the meeting held on 16 March 2022 proposed directors' remuneration of KD 30,000 for the year ended 31 December 2021. The remuneration was approved by the shareholders at the AGM held on 19 April 2022.

24 DISTRIBUTIONS MADE AND PROPOSED

	2022 KD	*2021 KD*
Cash dividends on ordinary shares declared and paid:		
Final cash dividend for 2021: 40 fils per share (2020: 20 fils per share)	**4,036,032**	2,018,016
Proposed cash dividends on ordinary shares:		
Proposed cash dividend for the 2022: 50 fils per share (2021: 40 fils per share)	**5,045,040**	4,036,032

The proposed cash dividend for the year ended 31 December 2021 were approved by the shareholders of the Parent Company at the annual general meeting (AGM) on 19 April 2022 and subsequently distributed.

Proposed cash dividends on ordinary shares for 31 December 2022 are subject to the approval of the shareholders at the Annual General Assembly (AGM) and are not recognised as a liability as at 31 December.

Dividends payable as at 31 December 2022 amounted to KD 37,542 (2021: KD 4,362) and recorded within "Accounts payable and accruals" in the consolidated statement of financial position.

25 SEGMENT INFORMATION

For management's purposes, the Group's products and services are organised into the following operating segments. The principle activities and services under these segments are as follows:

- **Chlor Alkali:** Production and sale of chlor alkali products.
- **Petrochemical products:** Production and sale of petrochemical products.
- **Trading:** Distribution of industrial materials.
- **Logistics and Transport:** Logistic and transportation services provided by the Group.
- **Industrial projects:** Construction of chlorine dioxide plant for groundwater reservoirs.
- **Investments:** Group's investments in an associate, fair value through profit or loss and goodwill.

25 SEGMENT INFORMATION (continued)

a) Segment revenue and results

The following tables present revenue and profit information of the Group's operating segments for the year ended 31 December 2022 and 2021, respectively:

	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*
	Revenue		*Results*	
Chlor Alkali	**26,333,806**	19,565,977	**14,534,985**	9,579,526
Petrochemical products	**80,883**	57,591	**60,521**	36,715
Trading	**13,221,035**	11,216,965	**3,110,121**	2,708,103
Logistics and transport	**2,328,497**	2,846,304	**14,646**	39,690
Industrial projects	**401,393**	1,451,475	**(30,389)**	(375,997)
Investments	**-**	-	**316,348**	(682,902)
Adjustments and eliminations	**(3,937,757)**	(3,784,436)	**(2,286,688)**	(2,457,435)
Consolidated	**38,427,857**	31,353,876	**15,719,544**	8,847,700
Commission income			**93,105**	92,973
Other income			**121,799**	83,607
Dividend income			**62,654**	44,160
Net foreign exchange differences			**53,191**	(39,335)
Finance costs			**(146,882)**	(153,931)
Other unallocated expenses			**(5,935,900)**	(3,893,362)
Profit for the year			**9,967,511**	4,981,812

	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*
	Purchases of property, plant and equipment		*Depreciation and impairment of property, plant and equipment*	
Chlor Alkali	**3,979,205**	1,604,577	**2,217,785**	2,237,621
Petrochemical products	**-**	-	**3,494**	3,491
Trading	**66,009**	11,918	**23,670**	20,846
Logistics and transport	**-**	-	**193,679**	222,404
	4,045,214	1,616,495	**2,438,628**	2,484,362

25 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2022 and 31 December 2021, respectively:

	2022	*2021*
	KD	*KD*
Segment assets		
Chlor Alkali	**32,160,486**	29,658,093
Petrochemical products	**21,881**	117,855
Trading	**5,813,928**	4,891,754
Logistics and transport	**372,579**	619,981
Industrial projects	**-**	94,963
Investments	**3,154,465**	3,348,022
Total consolidated segment assets	**41,523,339**	38,730,668

	2022	*2021*
	KD	*KD*
Segment liabilities		
Chlor Alkali	**6,802,173**	9,923,215
Petrochemical Products	**136,478**	85,529
Trading	**1,726,388**	1,830,106
Logistics and transport	**296,825**	422,758
Industrial projects	**68,433**	-
Other unallocated amounts	**37,542**	4,362
Total consolidated segment liabilities	**9,067,839**	12,265,970

c) Geographical segments

The geographical analysis of the Group's revenue from external customers has been based on the location of customers from which revenue is derived:

	2022	*2021*
	KD	*KD*
Kuwait	**27,091,788**	24,702,988
Other MENA	**13,178,404**	7,048,325
Asia	**386,040**	383,142
South America and North America	**437,208**	1,275,947
Others	**1,272,174**	1,727,910
Adjustments and eliminations	**(3,937,757)**	(3,784,436)
Total consolidated segment revenue	**38,427,857**	31,353,876

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk the latter being subdivided into profit rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

26.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract assets).

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

	2022	*2021*
	KD	*KD*
Bank balances	**1,924,520**	1,772,689
Term deposit	**929,700**	-
Trade receivables	**10,221,127**	9,893,791
Contract assets	**-**	94,963
Retention receivable	**588,522**	473,614
Other receivables	**235,548**	194,414
	13,899,417	12,429,471

Bank balances and term deposit

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

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

Trade receivables and contract assets

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

At 31 December 2022, the Group had 8 customers (2021: 7 customers) that owed it more than KD 250,000 each and accounted for approximately 40% (2021: 36.39%) of all the receivables and contract assets outstanding.

The Group's trade receivables and contract assets can be analysed by the following industry sectors:

	2022	*2021*
	KD	*KD*
Industry sector		
Corporate	**5,337,981**	5,181,158
Government	**4,883,146**	4,807,596
	10,221,127	9,988,754

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 Credit risk (continued)

Trade receivables and contract assets (continued)
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables and contract assets are written-off where there is no reasonable expectation of recovery. Trade receivables are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 13. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2022, 6% (2021: 14%) of the Group's trade receivables are covered by letters of credit and other forms of credit insurance. These credit enhancements obtained by the Group resulted in a decrease in the ECL of KD 42,572 as at 31 December 2022 (2021: KD 34,132).

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

		Days past due			
At 31 December 2022	***Current KD***	***91-180 days KD***	***181-360 days KD***	***>360 days KD***	***Total KD***
Expected credit loss rate	**0.00%**	**7.26%**	**13.16%**	**32.54%**	**8.61%**
Estimated total gross carrying amount at default	**6,012,615**	**2,006,549**	**1,098,428**	**2,066,021**	**11,183,613**
Expected credit loss	**-**	**145,719**	**144,557**	**672,210**	**962,486**

		Days past due			
At 31 December 2021	*Current KD*	*91-180 days KD*	*181-360 days KD*	*>360 days KD*	*Total KD*
Expected credit loss rate	0.00%	22.45%	7.11%	12.14%	7.15%
Estimated total gross carrying amount at default	5,765,895	2,304,735	1,471,505	1,216,211	10,758,346
Expected credit loss	-	517,324	104,647	147,621	769,592

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

26.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable equity investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also managed liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 Liquidity risk (continued)
The Group maintains the following lines of credit as at 31 December 2022:

- Non-cash facilities of KD 15,750,000 for which the Group has utilised KD 5,464,507 as at 31 December 2022 (2021: KD 6,809,425).

- KD 2,250,000 overdraft facility that is unsecured. Interest is payable at the rate of CBK discount rate plus 100 basis points on any drawn amounts. The Group has not drawn any amounts under this facility at 31 December 2022.

- KD 12,000,000 murabaha facility provided by a local bank. Profit is payable at a rate of CBK discount rate plus 100 basis points on any drawn amounts. The Group has not drawn any amounts under this facility at 31 December 2022.

- KD 6,000,000 short term revolving loan facility provided by a local bank. Interest is payable at a rate of CBK discount rate plus 75 basis points on any drawn amounts. The Group has not drawn any amounts under this facility at 31 December 2022.

- KD 3,000,000 multicurrency short term loan facility provided by a local bank. Interest is payable at a rate of CBK discount rate plus 100 basis points on any drawn amounts in Kuwaiti Dinar and 175 basis point on any drawn amounts in foreign currencies. The Group has not drawn any amounts under this facility at 31 December 2022.

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

31 December 2022	***Less than 3 months KD***	***3 to 12 months KD***	***More than 12 months KD***	***Total KD***
Lease liabilities	**52,061**	**151,669**	**394,996**	**598,726**
Accounts payable and accruals *	**4,216,828**	**1,188,877**	**-**	**5,405,705**
	4,268,889	**1,340,546**	**394,996**	**6,004,431**

31 December 2021	*Less than 3 months KD*	*3 to 12 months KD*	*More than 12 months KD*	*Total KD*
Lease liabilities	55,403	166,210	432,218	653,831
Accounts payable and accruals *	3,590,320	1,009,380	-	4,599,700
Loans and borrowings	6,250	4,671,441	-	4,677,691
	3,651,973	5,847,031	432,218	9,931,222

* *Excluding advances, provisions, and contract liabilities*

26.3 Market risk
Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

26.3.1 Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Group's profit rate risk primarily arises from its loans and borrowings. The Group is subject to limited exposure to interest rate risk due to the fact that its loans and borrowings are mainly fixed-rate Islamic instruments and short-term loans which may be repriced immediately based on market movement in interest rates.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 Market risk (continued)

26.3.2 Foreign currency risk

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

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

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

	Liabilities		*Assets*	
Currency	***2022 KD***	*2021 KD*	***2022 KD***	*2021 KD*
US Dollar (USD)	**608,117**	534,838	**3,128,207**	2,926,818
Euro (EUR)	**26,915**	61,402	**325,427**	132,311
Emirati Dirham (AED)	**548,651**	183,595	**2,969,529**	1,917,581
British Pound (GBP)	**8,250**	3,248	**10,742**	19,470

Foreign exchange rate sensitivity

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

	2022		*2021*	
Currency	***Change in currency rate***	***Effect on results KD***	*Change in currency rate*	*Effect on results KD*
USD	**+5%**	**126,005**	+5%	119,599
EUR	**+5%**	**14,926**	+5%	3,545
AED	**+5%**	**121,044**	+5%	86,699
GBP	**+5%**	**125**	+5%	811

An equal change in the opposite direction against the KD would have resulted in an equivalent but opposite impact.

27 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the consolidated statement of financial position.

The Group is not subject to externally imposed capital requirements.

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

27 CAPITAL MANAGEMENT (continued)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

28 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Fair value hierarchy

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities
Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Other financial assets and liabilities
Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in interest rates.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

ey.com/mena