

**Specialities Group Holding Company K.S.C.P. and its Subsidiaries**  
**State of Kuwait**

**Consolidated Financial Statements and Independent Auditor's Report**  
For the financial year ended 31 December 2024

**Specialities Group Holding Company K.S.C.P. and its Subsidiaries  
State of Kuwait**

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For the financial year ended 31 December 2024**

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## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Specialities Group Holding Company K.S.C.P.  
State of Kuwait**

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the consolidated financial statements of Specialities Group Holding Company K.S.C.P. ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated financial statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Specialities Group Holding Company K.S.C.P. as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

We determined the below matters as key audit matters being reported in our report.

#### *Accounts receivable and other debit balances*

The Group has a material balance of accounts receivable and other debit balances represent 31% of the total assets, and there are risks related to the recovery of the past due amounts. Due to the nature of the significant judgments related to the calculation of expected credit losses, this is further heightened by the high degree of estimation uncertainty. The recognition of the ECL under IFRS 9 is considered a complex accounting policy which require considerable judgment in its implementation. ECL is dependent on management's judgment in assessing significant increase in credit risk, due to the materiality of the accounts receivable and other debit balances, and the related significant judgments related to the calculation of expected credit losses, we addressed this as a key audit matter.

Our main focus is to determine the amounts recoverable from accounts receivable, as the determination of the amounts recoverable of certain trade receivables may involve making significant estimates based on several assumptions.

Refer to (Note 10 and Note 32) to the consolidated financial statements for the related disclosures.

#### *How our Audit Addressed such Matters*

Audit procedures performed by us included carrying out the following procedures and other matters:

- Our audit procedures included assessing the design and implementation of controls over, inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the adequacy of credit losses.
- We have reviewed the aging of trade receivables.
- We have reviewed the expected credit losses model used by the management to determine the impairment.
- We have made test for the inputs used, whether current or historical, and reviewed the assumptions used to calculate the expected credit losses.
- We assessed the adequacy and appropriateness of the accounts receivable and other debit balances, and the expected credit losses disclosures (Note 10 and Note 32) to the consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Specialities Group Holding Company K.S.C.P.  
State of Kuwait

### Report on the Audit of the Consolidated Financial Statements (Continued)

#### *Key Audit Matters (Continued)*

##### Valuation of investment securities

The Group has unquoted financial assets at fair value through other comprehensive income and unquoted financial assets at fair value through profit or loss, which are measured at fair value using market data and unobservable significant inputs of total amount KD 5,371,846 represent assets of level 3. These assets are significant in the context of the Group's consolidated financial position and results.

Given the size and complexity of the valuation of unquoted investments, and the importance of the disclosures relating to the assumptions used in the valuations, as it is highly based on estimations (assumptions and multiple valuation methods) include assumptions not observable in the market. The utilised valuation methods included price to carrying value, price to earnings, discounted cash flows and dividends discount models, we addressed this as a key audit matter.

Refer to (Note 9, Note 14 and Note 33) to the consolidated financial statements for the related disclosures.

##### Valuation of investment properties

Investment properties as at 31 December 2024 by an amount of KD 7,205,000 a significant part of the Group's total assets. The fair value determination of investment properties depend highly on judgements and estimates. we addressed this as a key audit matter.

The Group's policy is to make fair value of the investment properties once a year through a credit valuers. These valuations are based on some principal assumptions such as estimated rental income, discount rates, occupancy rates, and market knowledge.

For the purpose of estimating the fair value of investment properties, valuers had used sales comparison valuation technique taking into consideration the nature and use of the investment properties.

Refer to (Note 7 and Note 33) to the consolidated financial statements for the related disclosures.

##### How our Audit Addressed such Matters

Audit procedures performed by us based on sampling basis included carrying out the following procedures and other matters:

- We have tested the source data and applied techniques used in the valuations, to the extent possible, to evaluate the applied techniques and multiples used for valuation of unquoted financial assets at fair value through other comprehensive income and unquoted financial assets at fair value through profit or loss. As part of our audit, we have used our valuation experts to help in the valuation of the methodologies and assumptions.
- We assessed the price to carrying value, price to earnings used through measurement of the same in the comparable companies and market information. In addition, we have valued growth rates, discount rates and final growth rates for valuations that are made using the discounted cash flows.
- We assessed the adequacy and appropriateness of the fair value disclosures in (Note 9, Note 14 and Note 33) to the consolidated financial statements, particularly completeness and accuracy of assets of level 3 and their related sensitivity.

##### How our Audit Addressed such Matters

Audit procedures performed by us included carrying out the following procedures and other matters:

- We have reviewed the valuation reports issued by the accredited valuers.
- We assessed the adequacy and appropriateness of the fair value disclosures in (Note 7 and Note 33) to the consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Specialities Group Holding Company K.S.C.P.  
State of Kuwait**

### **Report on the Audit of the Consolidated Financial Statements (Continued)**

#### *Other Information*

Management is responsible for the other information. The "Other information" section consists of the information included in the annual report of the Group for year 2024, other than the consolidated financial statements and the auditor's report thereon. We have not received the Group's annual report, which also includes the Board of Directors' report, prior to the date of our auditor's report and we expect to receive these reports after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information mentioned above and 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 obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact in our report. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could 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 skepticism 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 those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Specialities Group Holding Company K.S.C.P.  
State of Kuwait**

### **Report on the Audit of the Consolidated Financial Statements (Continued)**

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, we will determine 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 will 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 will be 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. Further, evaluate 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 companies or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Among 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 considered as a key audit matter. We disclosed these matters in the auditor report unless local laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, and by Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2024 that might have had a material effect on the business of the Parent Company or its financial position.

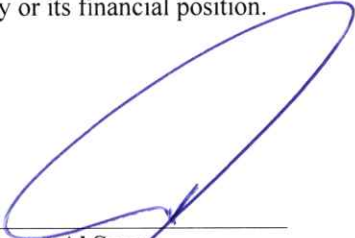


**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**To the Shareholders of Specialities Group Holding Company K.S.C.P.  
State of Kuwait**

**Report on Other Legal and Regulatory Requirements (Continued)**

Furthermore, in our opinion, we report that nothing has come to our attention indicating any material violations during the financial year ended 31 December 2024 of the Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and its related regulations, as amended, that might have had a material effect on the business of the Parent Company or its financial position.



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**Faisal Saqer Al Saqer**  
**License No. 172 "A"**  
**BDO Al Nisf & Partners**

**Kuwait: 13 March 2025**

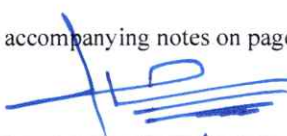
**Specialities Group Holding Company K.S.C.P. and its Subsidiaries  
State of Kuwait**

**Consolidated Statement of Financial Position**

As at 31 December 2024

	Notes	2024 KD	2023 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	9,476,365	10,235,550
Intangible assets	6	2,522,469	2,387,297
Investment properties	7	7,205,000	6,250,000
Investment in associates	8	1,269,871	1,389,840
Financial assets at fair value through other comprehensive income	9	2,600,769	2,637,469
Accounts receivable and other debit balances	10	4,241,033	4,868,880
		<u>27,315,507</u>	<u>27,769,036</u>
<b>Current assets</b>			
Inventories	11	1,682,923	1,353,122
Trading properties	12	285,199	782,176
Accounts receivable and other debit balances	10	10,418,232	9,428,970
Financial assets at fair value through profit or loss	14	2,872,668	2,795,820
Term deposits	15	2,500,000	3,050,000
Banks balances and cash	16	1,584,689	1,989,891
		<u>19,343,711</u>	<u>19,399,979</u>
Assets classified as held for sale	17	-	498,376
		<u>19,343,711</u>	<u>19,898,355</u>
<b>Total assets</b>		<u>46,659,218</u>	<u>47,667,391</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	18,736,988	17,844,750
Share premium		12,620,790	12,620,790
Statutory reserve	19	1,033,480	856,191
Voluntary reserve	20	346,403	346,403
Other components of equity	22	1,165,257	1,219,819
Treasury shares	23	(2,418,587)	(2,418,587)
Retained earnings		1,483,567	1,808,341
<b>Equity attributable to the Shareholders of the Parent Company</b>		<u>32,967,898</u>	<u>32,277,707</u>
Non-controlling interests		26,418	271,005
<b>Total equity</b>		<u>32,994,316</u>	<u>32,548,712</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provision for employees' end of service indemnity	24	873,381	807,379
Lease liabilities	25	1,886,824	1,826,481
Accounts payable and other credit balances	26	2,192,103	2,518,790
		<u>4,952,308</u>	<u>5,152,650</u>
<b>Current liabilities</b>			
Murabaha payable	27	6,196,000	7,009,328
Lease liabilities	25	303,341	292,216
Accounts payable and other credit balances	26	2,213,253	2,664,485
		<u>8,712,594</u>	<u>9,966,029</u>
<b>Total liabilities</b>		<u>13,664,902</u>	<u>15,118,679</u>
<b>Total equity and liabilities</b>		<u>46,659,218</u>	<u>47,667,391</u>

The accompanying notes on pages 11 to 60 form an integral part of these consolidated financial statements.

  
\_\_\_\_\_  
**Mr. Faleh Abdullah Al-Rogobah**  
Chairman

  
\_\_\_\_\_  
**Mr. Mubarak Woqayan Al-Woqayan**  
Chief Executive Officer

**Specialities Group Holding Company K.S.C.P. and its Subsidiaries  
State of Kuwait**

**Consolidated Statement of Profit or Loss**  
For the financial year ended 31 December 2024

	Notes	<u>2024</u> KD	<u>2023</u> KD
<b>Continuing operations</b>			
Revenues	28	14,348,430	13,286,553
Cost of revenue		<u>(10,601,709)</u>	<u>(9,798,243)</u>
<b>Gross profit</b>		3,746,721	3,488,310
Other income		237,144	222,218
Dividend income		8,554	229,916
(Provision for) / reversal of provision for expected credit losses	10,13	(935,867)	53,751
Reversal of / (provision) for obsolete and slow moving inventory	11	183,129	(6,987)
Depreciation and amortisation		(65,630)	(77,395)
Staff costs		(1,180,864)	(1,047,287)
General and administrative expenses		(820,175)	(764,169)
Selling and distribution expenses		<u>(58,751)</u>	<u>(50,419)</u>
<b>Operating profit</b>		1,114,261	2,047,938
Change in fair value of investment properties	7	877,015	-
Share of results from an associate	8	(119,969)	(97,153)
Unrealised gain on financial assets at fair value through profit or loss		76,848	119,002
Realised loss from sale of financial assets at fair value through profit or loss		-	(4,032)
Interest income		109,365	128,068
Finance cost		(146,028)	-
Net foreign currencies exchange differences		1,247	249
<b>Profit for the year from continued operations before deductions</b>		1,912,739	2,194,072
National Labour Support Tax		(70,004)	(40,779)
Kuwait Foundation for the Advancement of Sciences		(15,956)	(19,226)
Contribution to Zakat		(28,002)	(16,312)
Board of Directors' remuneration	21	<u>(50,000)</u>	<u>(50,000)</u>
<b>Profit for the year from continuing operations</b>		1,748,777	2,067,755
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	17	<u>(139,854)</u>	<u>(65,736)</u>
<b>Profit for the year</b>		<u>1,608,923</u>	<u>2,002,019</u>
Attributable to:			
The Parent Company's Shareholders		1,608,923	2,009,956
Non-controlling interests		-	(7,937)
		<u>1,608,923</u>	<u>2,002,019</u>
Basic and diluted earnings per share from the continuing operations attributable to the Shareholders of the Parent Company (fils)	29	<u>9.81</u>	<u>11.62</u>
Basic and diluted loss per share from the discontinued operations attributable to the Shareholders of the Parent Company (fils)	29	<u>(0.78)</u>	<u>(0.37)</u>
Basic and diluted earnings per share attributable to Shareholders of the Parent Company (fils)	29	<u>9.03</u>	<u>11.25</u>

The accompanying notes on pages 11 to 60 form an integral part of these consolidated financial statements.

**Specialities Group Holding Company K.S.C.P. and its Subsidiaries**  
**State of Kuwait**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the financial year ended 31 December 2024

	<u>2024</u>	<u>2023</u>
	KD	KD
<b>Profit for the year</b>	1,608,923	2,002,019
<b>Other comprehensive income / (loss) items</b>		
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Change in foreign currencies translation adjustments	4,907	(5,661)
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(36,700)</u>	<u>96,880</u>
<b>Other comprehensive (loss) / income</b>	<u>(31,793)</u>	<u>91,219</u>
<b>Total comprehensive income for the year</b>	<u><u>1,577,130</u></u>	<u><u>2,093,238</u></u>
Attributable to:		
The Parent Company's Shareholders	1,579,776	2,101,109
Non-controlling interests	<u>(2,646)</u>	<u>(7,871)</u>
	<u><u>1,577,130</u></u>	<u><u>2,093,238</u></u>
Attributable to:		
Continued operations	1,716,984	2,158,974
Discontinued operations	<u>(139,854)</u>	<u>(65,736)</u>
	<u><u>1,577,130</u></u>	<u><u>2,093,238</u></u>

The accompanying notes on pages 11 to 60 form an integral part of these consolidated financial statements.

Specialities Group Holding Company K.S.C.P. and its Subsidiaries  
State of Kuwait

**Consolidated Statement of Changes in Equity**  
For the financial year ended 31 December 2024

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Other components of equity (Note 22)	Treasury shares	Retained earnings	Equity attributable to the Shareholders of the Parent Company	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Balance as at 1 January 2023</b>	16,995,000	12,620,790	644,151	422,109	1,139,091	(2,418,587)	1,905,690	31,308,244	278,876	31,587,120
Profit / (loss) for the year	-	-	-	-	-	-	2,009,956	2,009,956	(7,937)	2,002,019
Other comprehensive income for the year	-	-	-	-	91,153	-	-	91,153	66	91,219
Total comprehensive income / (loss) for the year	-	-	-	-	91,153	-	2,009,956	2,101,109	(7,871)	2,093,238
Cash dividends (Note 21)	-	-	-	-	-	-	(1,131,646)	(1,131,646)	-	(1,131,646)
Bonus share (Note 21)	849,750	-	-	(75,706)	-	-	(774,044)	-	-	-
Transfer to statutory reserve	-	-	212,040	-	-	-	(212,040)	-	-	-
Impact of disposal of financial assets at fair value through other comprehensive income	-	-	-	-	14,990	-	(14,990)	-	-	-
Adjustments to revaluation reserve (Note 22)	-	-	-	-	(25,415)	-	25,415	-	-	-
<b>Balance as at 31 December 2023</b>	<u>17,844,750</u>	<u>12,620,790</u>	<u>856,191</u>	<u>346,403</u>	<u>1,219,819</u>	<u>(2,418,587)</u>	<u>1,808,341</u>	<u>32,277,707</u>	<u>271,005</u>	<u>32,548,712</u>
<b>Balance as at 1 January 2024</b>	17,844,750	12,620,790	856,191	346,403	1,219,819	(2,418,587)	1,808,341	32,277,707	271,005	32,548,712
Profit for the year	-	-	-	-	-	-	1,608,923	1,608,923	-	1,608,923
Other comprehensive loss for the year	-	-	-	-	(29,147)	-	-	(29,147)	(2,646)	(31,793)
Total comprehensive (loss) / income for the year	-	-	-	-	(29,147)	-	1,608,923	1,579,776	(2,646)	1,577,130
Cash dividends (Note 21)	-	-	-	-	-	-	(848,734)	(848,734)	-	(848,734)
Bonus share (Note 21)	892,238	-	-	-	-	-	(892,238)	-	-	-
Impact of change in Parent Company's ownership in its subsidiaries	-	-	-	-	-	-	(40,851)	(40,851)	(241,941)	(282,792)
Transfer to statutory reserve	-	-	177,289	-	-	-	(177,289)	-	-	-
Adjustments to revaluation reserve (Note 22)	-	-	-	-	(25,415)	-	25,415	-	-	-
<b>Balance as at 31 December 2024</b>	<u>18,736,988</u>	<u>12,620,790</u>	<u>1,033,480</u>	<u>346,403</u>	<u>1,165,257</u>	<u>(2,418,587)</u>	<u>1,483,567</u>	<u>32,967,898</u>	<u>26,418</u>	<u>32,994,316</u>

The accompanying notes on pages 11 to 60 form an integral part of these consolidated financial statements.

**Specialities Group Holding Company K.S.C.P. and its Subsidiaries  
State of Kuwait**

**Consolidated Statement of Cash Flows  
For the financial year ended 31 December 2024**

	Notes	2024 KD	2023 KD
<b>CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>			
Profit for the year from continuing operations		1,912,739	2,194,072
Loss for the year from discontinued operations	17	(139,854)	(65,736)
<i>Adjustments:</i>			
Depreciation	5	985,496	745,908
Amortisation	6	216,510	102,062
Change in fair value of investment properties	7	(877,015)	-
Share of results from an associate	8	119,969	97,153
Dividend income		(8,554)	(229,916)
Unrealised gain on financial assets at fair value through profit or loss		(76,848)	(119,002)
Realised loss from sale of financial assets at fair value through profit or loss		-	4,032
Provision for / (reversal of) expected credit losses		935,867	(53,751)
(Reversal of) / provision for obsolete and slow moving inventory	11	(183,129)	6,987
Loss for the year from discontinued operations	17	139,854	65,736
Interest income		(109,365)	(128,068)
Finance costs		146,028	-
Net foreign currencies exchange differences		(1,247)	(249)
Provision for employees' end of service indemnity	24	169,883	132,864
		<u>3,230,334</u>	<u>2,752,092</u>
<b>Changes in operating assets and liabilities</b>			
Accounts receivable and other debit balances		(1,305,299)	(450,795)
Inventories		(146,672)	1,318,846
Trading properties		498,224	-
Assets classified as held for sale		358,522	29,916
Accounts payable and other credit balances		(919,661)	(560,656)
<i>Cash flows generated from operations</i>			
		<u>1,715,448</u>	<u>3,089,403</u>
Payment of employees' end of service indemnity	24	(103,881)	(117,881)
National Labour Support Tax paid		(40,476)	(48,738)
Kuwait Foundation for the Advancement of Sciences paid	26	-	(57,059)
Zakat paid		(14,728)	(19,495)
<b>Net cash flows generated from operating activities</b>		<u>1,556,363</u>	<u>2,846,230</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net movement of acquisition of additional ownership share in subsidiaries		(298,948)	-
Proceed from the liquidation of some subsidiaries		16,156	-
Paid for investment property development		(41,141)	-
Paid to purchase of property, plant and equipment		(226,311)	(2,405,148)
Paid to purchase of intangible assets		(351,682)	-
Paid to purchase financial assets at fair value through other comprehensive income		-	(53,639)
Proceeds from sale of financial assets at fair value through profit or loss		-	31,553
Term deposits		550,000	(250,000)
Dividend income received		8,554	229,916
Interest income received		80,538	(94,243)
<b>Net cash flows used in investing activities</b>		<u>(262,834)</u>	<u>(2,541,561)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement of Murabaha payable		(813,328)	(237,325)
Cash dividends paid		(815,750)	(1,194,490)
Net movement of lease liabilities		(74,560)	(334,062)
<b>Net cash flows used in financing activities</b>		<u>(1,703,638)</u>	<u>(1,765,877)</u>
<b>Net decrease in banks balances and cash</b>			
		(410,109)	(1,461,208)
Foreign currencies translation adjustments		4,907	(5,661)
Banks balances and cash at the beginning of the year		1,989,891	3,456,760
<b>Banks balances and cash at the end of the year</b>	16	<u>1,584,689</u>	<u>1,989,891</u>
<b>Material non-cash transactions</b>			
Accounts receivable and other debit balances		36,844	-
Investment properties		(36,844)	-

The accompanying notes on pages 11 to 60 form an integral part of these consolidated financial statements.

**Specialities Group Holding Company K.S.C.P. and its Subsidiaries  
State of Kuwait**

**Notes to the Consolidated Financial Statements  
For the financial year ended 31 December 2024**

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**1. INCORPORATION AND ACTIVITIES**

Specialities Group Holding Company K.S.C.P. (“the Parent Company”) was initially incorporated as a Kuwaiti Limited Liability Company on 1 October 1988. In 2006, the Parent Company changed its legal form from a Kuwaiti Limited Liability Company to a Kuwaiti Public Shareholding Company and also changed its name from Alghanim Specialities Company W.L.L. to Specialities Group Holding Company K.S.C.P. and amended its Memorandum of Incorporation accordingly. The Parent Company is listed on Boursa Kuwait.

The main activities for which the Parent Company was incorporated are as follows:

1. Owning stocks or shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies or participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
2. Granting loans to the companies in which the Parent Company holds shares, guarantee them before third parties and in this case the contribution ratio of the holding company in the capital of the borrowing company shall not be less than 20%.
3. Owning industrial equities such as patents, industrial trade-marks, royalties, or any other related rights, and franchising them to other companies or using them inside or outside the State of Kuwait.
4. Owning movables and real estate required to achieve its activities according to applicable laws.
5. Utilisation of the financial surpluses available through investing the same in investment portfolios managed by specialised companies.

The Group comprises the Parent Company and its subsidiaries (together referred to as “the Group”). Details of the subsidiaries are set out in (Note 3.1).

In accordance with decision of the Extraordinary General Assembly Meeting held on 22 April 2024, the Parent Company’s share capital increase from KD 17,844,750 to KD 18,736,988 was approved (Note 21). Such increase amounted to KD 892,238 through bonus shares of 8,922,380 shares at 100 Kuwaiti Fils per share. Such shares represent the bonus shares that will be allocated to the Shareholders registered in the Parent Company’s records. It was approved to change the Article No. (6) from the Memorandum of Incorporation and Article No. (5) from the Article of Association to be as follows: “The Company’s share capital determined at an amount of KD 18,736,988 distributed over 187,369,880 share with nominal value of 100 Kuwaiti Fils each, and all shares are in cash and in kind. This has been registered in the Commercial Register No. 5202 dated 14 May 2024.

The Parent Company’s registered address is at Amgarah Industrial Area, Block (4), Plot 173, P.O. Box 23595, Safat 13096, State of Kuwait.

The consolidated financial statements were authorised for issuance by the Parent Company’s Board of Directors on 13 March 2025 and are subject to approval of the Shareholders’ General Assembly. The Shareholders of the Parent Company have the power to amend these consolidated financial statements after issuance at the Shareholders’ Annual General Assembly.

**1.1 Basis of preparation**

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

These consolidated financial statements have been presented in Kuwaiti Dinars (“KD”), which is the functional and presentation currency of the Group.

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**Notes to the Consolidated Financial Statements  
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**1. INCORPORATION AND ACTIVITIES (CONTINUED)**

**1.2 Statement of compliance**

The Group's consolidated financial statements have been prepared in accordance with "IFRS Accounting Standards" as issued by the International Accounting Standards Board ("IASB") and requirements of the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended.

The preparation of consolidated financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of significant estimates and assumptions made in preparing the consolidated financial statements and their effect are disclosed in (Note 4).

**2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS**

**a) New standards, interpretations, and amendments adopted from 1 January 2024**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised International Financial Reporting Standards, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated).

*Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback*

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

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

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

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

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no material impact on the Group's consolidated financial statements

*Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements*

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

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

**2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)**

**b) New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

*Amendments to IAS 21 - Lack of exchangeability*

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

*IFRS 18 Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements  
For the financial year ended 31 December 2024

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

b) New standards, interpretations and amendments not yet effective (Continued)

Amendments to IFRS 9 - Financial instruments and IFRS 7 - Financial instruments: Disclosure

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

- (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system,
- (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion,
- (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets), and
- (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS Accounting Standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The Group does not expect to be eligible to apply IFRS 19.

3. MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Basis of consolidation

The consolidated financial statements comprise of the Parent Company and its subsidiaries drawn up to 31 December 2024. Where the Parent Company has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties.
- Other contractual arrangements
- Historic patterns in voting attendance.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.1 Basis of consolidation (Continued)**

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

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 interest, even if this results in the non-controlling interest 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 policy. The consolidated financial statements present the results of the Parent Company and its subsidiaries as if they are formed a single entity. 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 assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Specialities Group Holding Company K.S.C.P. and its Subsidiaries  
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**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.1 Basis of consolidation (Continued)**

The consolidated financial statements of Specialities Group Holding Company K.S.C.P. (“the Parent Company”) and its subsidiaries include the following:

Name of subsidiary	Country of incorporation	Equity interest (%)		Principal activities
		2024	2023	
Specialities Construction General Trading and Contracting W.L.L.*	State of Kuwait	99%	99%	Construction and contracting activities
Specialities Real Estate Company W.L.L.*	State of Kuwait	99%	99%	Real estate activities
Specialities Energy Company W.L.L.*	State of Kuwait	99%	99%	Trading in petrol devices and equipment and excavation and maintenance of oil wells
Alghanim Specialities Company W.L.L.*	State of Kuwait	99%	99%	Production of diversified construction materials
Specialities Kumex for General Trading and Contracting Company W.L.L.*	State of Kuwait	99%	99%	General trading and contracting
Specialities Real Estate Company W.L.L.*	Kingdom of Saudi Arabia	99%	99%	Real estate activities
Specialities Energy Company W.L.L.***	Kingdom of Saudi Arabia	-	73%	Oil & gas activities and maintenance and operation of oil wells
Specialities Gulf Building Company W.L.L.****	Kingdom of Saudi Arabia	80%	80%	Manufacturing and construction
Gulf Specialized Limited Company W.L.L.****	Kingdom of Saudi Arabia	50%	50%	Real estate and contracting activities
Towell and Specialities Real Estate Company W.L.L.	Sultanate of Oman	70%	70%	Real estate activities
Intelligent Services Company K.S.C. (Closed)*	State of Kuwait	99%	99%	Develop computer systems and software, and localization systems for computer and peripherals
Advanced Group Center for Furniture W.L.L.*/**	State of Kuwait	99%	90%	Furniture & furnishings

\* The effective ownership interest of the Group in these subsidiaries is 100%. Certain shares / units attributable to some subsidiaries have been registered under the names of other parties who hold these shares / units on behalf of and for the benefit of the Group. They have been assigned based on official power of attorneys and written representations in favor of the Group.

\*\* During the current year ended 31 December 2024, the Parent Company acquired an additional ownership percentage in one of its subsidiaries “Advanced Group Center for Furniture Company W.L.L.” against payment an amount of KD 224,166 to the non-controlling interest.

\*\*\* During the current year ended 31 December 2024, Specialities Energy Company W.L.L. has been liquidated.

\*\*\*\* The Group has not consolidated these subsidiaries since they are not material to the consolidated financial statements of the Group.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.2 Business combination**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former stakeholders of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in consolidated statement of profit or loss as incurred. At the acquisition date, the identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retroactively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37, provisions, contingent liabilities and assets, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.2 Business combination (Continued)**

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

**3.3 Property, plant and equipment**

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after these property, plant and equipment have been placed into operation, such as repairs, maintenance and inspection, are normally included in the consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any profit or loss resulting from their disposal is included in the consolidated statement of profit or loss. The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

Depreciation is computed on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20
Furniture, fixture, computers	5
Plant and equipment	2 - 15
Vehicles	5

The property, plant and equipment items are derecognised when disposed of or when it is not expected to receive any future economic benefits from them.

### 3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

#### 3.4 Intangible assets

At initial recognition, acquired intangible assets are measured at cost, which represents the purchase value plus the direct costs incurred for preparation of the asset to be used in its intended purpose.

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

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

Gains or losses on disposal of intangible assets are measured by the difference between the net disposal proceeds and the carrying amount of the assets, and are recognised in the consolidated statement of profit or loss on disposal.

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from the goodwill and are initially recognised at their fair value as of the acquisition date (where such value is the initial cost of these assets). Subsequent to the initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses using the same basis adopted in the intangible assets acquired separately. Amortisation is calculated based on the contract implementation period.

#### 3.5 Investment properties

Investment properties include current properties, properties under construction or redevelopment held for gaining rentals or increase in the market value or both. Investment properties are initially recognised at cost, which contains purchase price and its related transaction costs. Subsequent to initial recognition, investment properties are recognised at fair value at the financial period end date. Profits or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Profits or losses arising on the disposal or termination of an investment property are recognised in the consolidated statement of profit or loss.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.5. Investment properties (Continued)**

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of its development for selling purposes.

If a property being used by the owner is transferred to investment property, the Group will account for such property as per the applicable accounting policy for property, plant and equipment up to date of the usage change and transfer.

**3.6. Associates**

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for any changes subsequent to the date in which the Group acquired a share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investments are classified as held for sale, in which case they are accounted for as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognises its share in business results of the associate in the consolidated statement of profit or loss. Moreover, the Company recognises its share of the changes in the associate's other comprehensive income in its other comprehensive income.

Losses of an associate in excess of the Group's interest in that associate (including any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised except to the extent that the Group has an obligation or has made any payments on behalf of the associate.

Any excess of the cost of acquisition over the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying value of the investment in associates. It is assessed as a part of the investment in order to determine the impairment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognised immediately in the consolidated statement of profit or loss.

The Group determines, at each reporting date, whether there is an indication that the investment in the associate may be impaired through adopting the requirements of IFRS 9 and determining whether it is necessary to recognise any impairment in the investment. If any such indication exists, an impairment loss is determined for the entire carrying amount of the investment. The Group calculates the impairment amount as the difference between the recoverable amount of the associate and its carrying amount. Such amount is recognised in the consolidated statement of profit or loss. Any reversal of the impairment is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group measures and recognises any investments held at the fair value upon loss of significant influence on the associate. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.7 Inventories**

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

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

**3.8 Trading properties**

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held to generate rental income or for capital appreciation, are classified as trading properties. Trading properties are recorded on initial recognition at cost and are subsequently measured at the lower of cost or net realisable value. Cost includes freehold or leasehold rights for land, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the date of consolidated financial statements, less costs to complete and the estimated costs to sell. Net realisable value is determined based on valuation performed annually by independent professional real estate valuation experts who have the required qualifications and experience in valuing such types of properties using recognised valuation techniques.

At the end of each reporting period, if the cost of the property exceeds its net realisable value, the property is write down to its net realisable value and the difference is recognised to the consolidated statement of profit or loss. If previously recognised loss is subsequently recovered, amount of the property is increased to its net realisable value to the extent of its original cost and the increase amount is recognised in the consolidated statement of profit or loss to the extent of the previously recognised loss.

**3.9 Impairment of non-financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually. Whenever there is an indication that the asset may be impaired, its recoverable amount is estimated.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.9 Impairment of non-financial assets (Continued)**

For a non-financial asset, other than goodwill, in which impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

**3.10 Financial instruments**

**3.10.1 Financial assets**

*i. Classification and measurement of financial assets*

**Financial assets carried at amortised cost**

The financial assets carried at amortised cost consist of “accounts receivable and other debit balances”, “term deposits” and “banks balances and cash”.

The financial assets are measured at amortised cost if both of the following conditions are met and are not designated at fair value through profit or loss:

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

**Subsequent Measurement**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

*Accounts receivable and other debit balances*

Accounts receivable are amounts due from customers for services completed in the ordinary course of business. The accounts receivable and due from related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the expected credit losses. For further details on the expected credit losses (Note 32).

*Term deposits*

Term deposits are placed in banks and have a contractual maturity of more than 3 months from the date of placement.

*Banks balances and cash*

Banks balances and cash item includes cash on hand, cheques under collection, current accounts at banks and cash at financial institution.

*Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.10 Financial instruments (Continued)**

**3.10.1 Financial assets (continued)**

**Equity investment at fair value through other comprehensive income**

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

**Subsequent measurement**

These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net consolidated profit or loss is recognised under other consolidated comprehensive income and is never reclassified to consolidated profit or loss.

**Equity investment at fair value through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as financial asset recognised at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognised at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

**Subsequent measurement**

These assets are subsequently measured at fair value. Net profits or losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss.

**ii. Impairment of financial assets**

IFRS 9 requires the Group to make provision for expected credit losses for all debt instruments, which are not carried at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment loss of the financial assets carried at amortised cost is reversed at the subsequent periods.

Under IFRS (9), loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.10 Financial instruments (Continued)**

**3.10.1 Financial assets (continued)**

**ii. Impairment of financial assets (continued)**

The Group measures loss allowances at an amount equal to lifetime ECLs, excluding term deposits and Banks balances and cash (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The Group has elected to measure; using the simplified approach, loss allowances for receivables and other debit balances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 730 days past due except for the contractual retention.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 730 days past due except for the contractual retention.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

***Measurement of expected credit losses***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

***Credit-impaired financial assets***

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

***Presentation of impairment***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to accounts receivable and other debit balances, including contract assets, are presented separately in consolidated statement of profit or loss.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.10 Financial instruments (Continued)**

**3.10.1 Financial assets (continued)**

**ii. Impairment of financial assets (continued)**

*Accounts receivable and other debit balances*

Further details about the calculation of ECLs related to accounts receivable are disclosed in (Note 32) on adoption of IFRS 9. The Group takes into consideration the model and some assumptions used to calculate credit losses expected as key sources of uncertainty.

The ECLs were calculated based on actual credit loss experience over the past 3-5 years. The Group performed the calculation of ECL rates for its customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the accounts receivable.

***Derecognition of financial assets***

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

**3.10.2 Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or loans. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Borrowings are recognised initially at fair value, net of transactions cost incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In that case, fees shall be posted until the withdrawal is carried out.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

***Classification and subsequent measurement***

The Group's financial liabilities include "accounts payable and other credit balances" and "Murabaha payable".

***Accounts payable and other credit balances***

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs. The measurement of financial liabilities depends on its classification as follows:

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Accounts payable and other liabilities are subsequently measured at amortised cost using effective interest method.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.10 Financial instruments (Continued)**

**3.10.2 Financial liabilities (continued)**

*Murabaha payable*

Murabaha payable are initially recognised at the value received from contracts. After initial recognition, murabaha payable are measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

*Derecognition of financial liabilities*

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

**3.10.3 Offsetting**

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

**3.11 Discontinued operations**

Discontinued operations represent part of the Group's business, which their results and cash flows can be separated clearly from rest of the Group, which are also:

Represent substantial activity or separate geographic segment.

- Represent part of a coordinated plan to exclude substantial activity or separate geographic segment.
- Include subsidiaries acquired principally for sale subsequently.

These operations are classified as discontinued operations at sale or when classification conditions are met as discontinued operations, whichever shall first occur.

Revenues and expenses related to discontinued operations are recognised separately from revenues and expenses related to continuing operations in the consolidated statement of profit or loss until the profitability level for the period ended at the date of the consolidated financial statements and comparative periods. This is even if the Group retains non-controlling interest in the subsidiary after sale, whereas profit or loss are recognised as separate item in the consolidated statement of profit or loss.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.12 Employees' end of service indemnity**

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

With respect to its Kuwaiti national employees, the Group 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.

**3.13 Treasury shares**

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, profits are credited to a separate account in Shareholders' equity "treasury shares reserve" which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium respectively.

Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and treasury shares reserve respectively. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

**3.14 Revenue recognition**

Revenues are measured based on the consideration to which it is expected by the Group to be entitled through the contract with customer as the amounts that have been collected on behalf of the other parties are excluded. Revenues are recognised when the control over goods or services is transferred to the customer.

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Group whether or not control is transferred:

- The Group shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Group shall transfer the physical possession to the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.14 Revenue recognition (Continued)**

Group's revenue streams arise from the following activities:

*Sales of goods*

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

When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. The performance obligations are recognised over time as the customisation or integration work is performed.

When contracts involve supply of goods and installation services in exchange for a fixed fee, revenue is recognised over a period of time and is accounted for as a single performance obligation due to the high interdependence between the elements of the contract. When such contracts include after sales services, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of the relative stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

*Rendering of services*

Revenue from maintenance contracts are recognised at specified time when the services are rendered to customers.

*Construction contracts*

Revenue from construction contracts is recognised over time on a cost-to-cost method (input method), i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Profit is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments of the contract shall be taken into consideration for the purpose of calculating the contract profits when approved by the contract owner. The expected loss of the contracts is recognised immediately in full after occurrence.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.14 Revenue recognition (Continued)**

*Interest income and expenses*

Interest income and expenses are calculated on a time proportion basis using the effective interest method. When the accounts receivable are impaired, the Group reduces the carrying amounts of such amounts to their recoverable amounts, which are estimated by the expected future cash flows discounted using the effective interest rate of the financial instrument. The discount is continued to be amortised as interest income. The interest income or accounts receivable that have permanent impairment, is recognised either when it is collected or on the basis of recovered cost as per conditions.

*Dividends income*

Dividends income is recognised when the Group's right to receive payment is established.

*Income from sale of properties*

Gain on sale of investment properties is measured by the difference between the sale proceeds and the book value of the investment at the date of sale, and it is recognised at the date of sale.

*Leases*

Rental income is recognised when earned on a time proportion basis.

*Other income and expenses*

Other income and expenses are recognised on accrual basis.

**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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3.16 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. Assets and liabilities arising from a lease are initially measured on a present value basis.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.16 Leases (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 Amortisation 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. Right of use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The cost of a right of use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

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 insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option 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 (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 that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Where the Group is the lessee - operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and were not recognised in the Group's consolidated statement of financial position. Payments made under operating leases were recognised in to the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.17 Finance costs**

Finance costs on borrowings and facilities are calculated on the accrual basis and are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of this asset are capitalised. Capitalisation of these costs commences when expenses on the asset and finance costs are incurred, and the activities necessary to prepare the asset are under implementation. Capitalisation shall be ceased upon the significant completion of all the activities necessary to prepare the qualifying asset for its intended use or sale.

Finance costs that are not directly attributable to the acquisition, construction or production of qualifying asset as expense are recognised during the period in which they are incurred.

**3.18 Taxes**

**Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and National Labour Support Tax (NLST)**

Contribution to KFAS, Zakat and NLST represent levies / taxes imposed on the Parent Company at fixed percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies / taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for the purposes of the consolidated financial statements.

<i>Levies / statutory tax</i>	<i>Percentage</i>
Contribution to Kuwait Foundation for the Advancement of Sciences	1% of net profit, less permitted deductions.
Zakat	1% of net profit, less permitted deductions.
National Labour Support Tax	2.5% of net profit, less permitted deductions

**3.19 Foreign currency translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group's consolidated financial statements have been prepared and presented in Kuwaiti Dinars, which is the Group's presentation currency.

***Transactions and balances***

Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each consolidated statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of consolidated financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the translation of monetary items at fair value are included in the consolidated statement of profit or loss for the year except for differences arising on retranslation of non-monetary items in respect of which gains and losses are directly included in the consolidated statement of profit or loss and other comprehensive income. For such non-monetary items, any exchange component of such profit or loss is also recognised directly in the consolidated statement of comprehensive income.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**3.19 Foreign currency translation (Continued)**

*Foreign operations*

The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the consolidated statement of financial position date. Income and expense items are translated into the Group's presentation currency at the average rate over the consolidated reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to consolidated statement of profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

**3.20 Contingencies**

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

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

**3.21 Segment Information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are disclosed in a manner consistent with the internal reporting reviewed by the chief operating decision-maker, i.e. the person being responsible for allocating resources, assessing performance and making strategic decisions on the operating segments.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS**

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

*Significant accounting judgments*

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

*Classification of financial instruments*

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

4. **SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)**

*Significant accounting judgments (Continued)*

*Classification of Land*

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1. Properties held for trading  
When the intention of the Group is to sell land in the ordinary course of business, the land is classified as properties held for trading.
2. Properties under development  
When the purpose of the Group is to develop the land for sale in the future, both land and construction costs are classified as properties under development.
3. Investment properties  
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined, the land is classified as investment property.

*Leases*

Significant opinions on requirements for applying IFRS 16 include, among others, the following:

- Determine whether the contract (part thereof) contains a lease.
- Determine whether it is reasonably certain that extension or termination option will be exercised.
- Classification of lease agreements (when the entity is the lessor).
- Determine whether the variable payments are substantially fixed.
- Determine whether there are multiple leases in the arrangement.
- Determine the sale price of leased and non-leased items.

*Estimation uncertainty and assumptions*

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

*Useful lives of property, plant and equipment*

As described in the accounting policies, the Group reviews the estimated useful lives over which its property, plant and equipment are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

*Provision for Inventories*

The carrying amount of inventories is reduced and included by net realisable value when damaged or become obsolete, wholly or partly, or when the selling price goes down. The benchmarks for determining the amount of provision or write-off include annual analysis, technical assessment and subsequent events. The provisions and write-off are subject to management's approval.

*Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4. **SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)**

*Estimation uncertainty and assumptions (Continued)*

*Fair value measurement and valuation techniques*

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability, the management uses market observable data to the extent it is available. In case no market observable data are available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in (Note 33).

The valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of other instruments that are substantially the same.
- Earnings multiples;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Price to book value model.
- other valuation models.

The determination of the cash flows, earnings multiple, price to book value multiple and discount factors for unquoted shares requires significant estimation.

*Revenue recognition*

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and the policy of revenue recognition disclosed in (Note 3.14) require significant judgments.

*Provision for expected credit losses for accounts receivable*

The Group has assessed its significant judgements and estimates in respect of expected credit losses including probability of default, loss rate on default and incorporation for forward looking information.

The Group uses a provision matrix to calculate expected credit losses for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalisation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the investment sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's accounts receivable and other debit balances is disclosed in (Note 32).

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5. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings KD	Furniture and fixtures KD	Plant and equipment KD	Vehicles KD	Computers KD	Total KD
Balance as at 1 January 2023	920,286	799,529	9,450,656	362,823	374,594	11,907,888
Additions	-	28,974	2,320,547	33,216	22,411	2,405,148
Disposals	-	-	-	(14,105)	-	(14,105)
Balance as at 31 December 2023	920,286	828,503	11,771,203	381,934	397,005	14,298,931
Additions	-	7,829	130,502	65,268	22,712	226,311
Disposals	-	-	-	(3,550)	-	(3,550)
Balance as at 31 December 2024	920,286	836,332	11,901,705	443,652	419,717	14,521,692
Accumulated depreciation						
Balance as at 1 January 2023	614,691	788,483	1,250,312	331,001	347,091	3,331,578
Charged during the year	35,366	18,440	656,290	19,660	16,152	745,908
Related to disposals	-	-	-	(14,105)	-	(14,105)
Balance as at 31 December 2023	650,057	806,923	1,906,602	336,556	363,243	4,063,381
Charged during the year	35,366	16,049	897,686	21,395	15,000	985,496
Related to disposals	-	-	-	(3,550)	-	(3,550)
Balance as at 31 December 2024	685,423	822,972	2,804,288	354,401	378,243	5,045,327
Net carrying value						
Balance as at 31 December 2024	234,863	13,360	9,097,417	89,251	41,474	9,476,365
Balance as at 31 December 2023	270,229	21,580	9,864,601	45,378	33,762	10,235,550

- The Group's buildings are constructed on leasehold land, that is leased from the Government of the State of Kuwait (Note 6).
- The cost of revenue item includes a depreciation charged during the current year of KD 933,018 (31 December 2023: KD 692,003).

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**6. INTANGIBLE ASSETS**

	<b>Right of use</b>	<b>Related customer</b>	<b>Total</b>
	<b>KD</b>	<b>contracts</b>	<b>KD</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Cost</b>			
<b>Balance as at 1 January 2023</b>	479,907	1,335,393	1,815,300
Additions*	2,452,759	-	2,452,759
<b>Balance as at 31 December 2023</b>	2,932,666	1,335,393	4,268,059
Additions	351,682	-	351,682
<b>Balance as at 31 December 2024</b>	3,284,348	1,335,393	4,619,741
<b>Accumulated amortisation</b>			
<b>Balance as at 1 January 2023</b>	434,579	1,335,393	1,769,972
Charged during the year	102,062	-	102,062
<b>Balance as at 31 December 2023</b>	536,641	1,335,393	1,872,034
Charged during the year	216,510	-	216,510
<b>Balance as at 31 December 2024</b>	753,151	1,335,393	2,088,544
<b>Impairment losses</b>			
<b>Balance as at 31 December 2023</b>	8,728	-	8,728
<b>Balance as at 31 December 2024</b>	8,728	-	8,728
<b>Net carrying value</b>			
<b>Balance as at 31 December 2024</b>	2,522,469	-	2,522,469
<b>Balance as at 31 December 2023</b>	2,387,297	-	2,387,297

Rights of use of land leased from the Government of the State of Kuwait and Kingdom of Saudi Arabia are amortised over a period of 20 years and 13 years respectively.

\* During the prior financial year ended 31 December 2023, one of the Group's subsidiary "Specialities Real Estate Company W.L.L." has obtained a right of use of leasehold land in the Kingdom of Saudi Arabia, which is amortised over 13 years.

At 31 December 2024, the Group's management assessed the rights of use of leasehold land to determine if there is any impairment in their values. As a result, the Group did not recognise any impairment loss for the years ended 31 December 2024 and 31 December 2023. Management's assessment was based on valuation performed at the reporting date by an independent professional real estate valuation expert who is specialist and has the required qualification and experience in valuing such type of assets using recognised valuation techniques.

Related customer contracts represented in intangible assets of the Group with finite useful lives and are amortised over the period of implementing these contracts for the customers.

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**7. INVESTMENT PROPERTIES**

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

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance as at beginning of the year	6,250,000	6,250,000
Additions	77,985	-
Change in the fair value	877,015	-
Balance as at end of the year	<u>7,205,000</u>	<u>6,250,000</u>

The fair value of investment properties has been determined based on valuations performed by two independent professional real estate valuers, who are industry specialists in valuing such type of investment properties. For the properties located in the State of Kuwait, one of the valuers is a local bank and the other is a local reputable accredited valuer. The valuers used the current market discount rate, market comparison approach, in which the recent transactions in the real estate market are recorded and comparing the prices of sale of similar properties in terms of specifications, area of land, contents and area of the property and the aging and condition of the existing building as well as occupancy rates and periodic expenses and capitalisation rates used and after the application of adjustment transactions necessary to obtain the value of the market property (Note 33).

During the current financial year ended 31 December 2024, the Group has renewed the Public Authority for Industry contract for plots located in Free Trade Zone for a period of one year and ending on 1 August 2025.

**8. INVESTMENT IN ASSOCIATES**

<u>Name of associate</u>	<u>Country of Incorporation</u>	<u>Ownership</u>		<u>Carrying amount</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
				KD	KD
Kuwait International Advanced Industries Company K.S.C. (Closed)	State of Kuwait	25%	25%	1,269,871	1,389,840
Warehousing Projects and Logistics Company W.L.L.*	Kingdom of Saudi Arabia	50%	50%	2,800,156	2,800,156
Less: impairment losses				<u>(2,800,156)</u>	<u>(2,800,156)</u>
				<u>1,269,871</u>	<u>1,389,840</u>

The movement on investment in associates during the year is as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance at the beginning of the year	1,389,840	1,486,993
Share of results from associates*	(119,969)	(97,153)
Balance at the end of the year	<u>1,269,871</u>	<u>1,389,840</u>

\* The Group has recognised its share of results from an associate "Kuwait International Advanced Industries Company K.S.C. (Closed)" based on management account prepared by the management as at 30 September 2024 amending any material transactions for the period from 30 September 2024 until 31 December 2024.

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**8. INVESTMENT IN ASSOCIATES (CONTINUED)**

As at 31 December 2024, the management has reviewed its investment in associates to assess whether impairment has occurred in their value, and an impairment was recorded of Nil (31 December 2023: Nil) in the consolidated statement of profit or loss. Management is not aware of any circumstances that would indicate any additional impairment in the value of these investments at the reporting date.

The summarised financial information in respect of the Group's material investment in its associates is set out below:

<u>2024</u>	<b>Kuwait International Advanced Industries Company K.S.C. (Closed)</b> KD	<b>Total</b> KD
<b>Statement of profit or loss</b>		
Revenues	1,036,502	3,647,557
Loss for the year	(479,874)	(479,874)
<b>Statement of financial position</b>		
Non-current assets	3,022,363	3,022,363
Current assets	920,107	920,107
Total assets	3,942,470	3,942,470
Non-current liabilities	326,324	326,324
Current liabilities	822,052	822,052
Total Liabilities	1,148,376	1,148,376
Net assets	2,794,094	2,794,094
<u>2023</u>	<b>Kuwait International Advanced Industries Company K.S.C. (Closed)</b> KD	<b>Total</b> KD
<b>Statement of profit or loss</b>		
Revenues	1,201,611	1,201,611
Loss for the year	(388,612)	(388,612)
<b>Statement of financial position</b>		
Non-current assets	3,743,689	3,743,689
Current assets	1,114,721	1,114,721
Total assets	4,858,410	4,858,410
Non-current liabilities	860,046	860,046
Current liabilities	724,397	724,397
Total Liabilities	1,584,443	1,584,443
Net assets	3,273,967	3,273,967

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**8. INVESTMENT IN ASSOCIATES (CONTINUED)**

The following table shows a reconciliation of the financial information of the associates to the carrying amount of the Group's interest in the associates:

<b>2024</b>	<b>Kuwait International Advanced Industries Company K.S.C. (Closed)</b>		<b>Total</b>
	KD		KD
Net assets of the associate	2,794,094		2,794,094
Group's effective interest in the associate's equity	25%		-
Group's interest in net assets of the associate	698,522		698,522
Goodwill	571,349		571,349
Carrying amount of the Group's investment in the associate	<u>1,269,871</u>		<u>1,269,871</u>
	<b>Kuwait International Advanced Industries Company K.S.C. (Closed)</b>		<b>Total</b>
	KD		KD
Net assets of the associate	3,273,967		3,273,967
Group's effective interest in the associate's equity	25%		-
Group's interest in net assets of the associate	818,491		818,491
Goodwill	571,349		571,349
Carrying amount of the Group's investment in the associate	<u>1,389,840</u>		<u>1,389,840</u>

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>2024</b>	<b>2023</b>
	KD	KD
Unquoted securities	<u>2,600,769</u>	<u>2,637,469</u>
	<u>2,600,769</u>	<u>2,637,469</u>
Financial assets at fair value through other comprehensive income denominated in the following currencies:		
	<b>2024</b>	<b>2023</b>
	KD	KD
Kuwaiti dinar	2,499,178	2,529,551
US dollar	101,591	107,918
	<u>2,600,769</u>	<u>2,637,469</u>

The fair value of financial assets at fair value through other comprehensive income was determined based on valuation levels mentioned in (Note 33).

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**10. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES**

	<u>2024</u>	<u>2023</u>
	KD	KD
Trade receivables and receivables from construction contracts	7,763,076	7,285,780
Retention contract receivables	4,280,846	4,032,971
Less: provision for expected credit losses*	<u>(2,598,402)</u>	<u>(1,662,535)</u>
	9,445,520	9,656,216
Advance payments to suppliers	1,220,164	1,307,585
Contract assets	3,016,354	1,897,194
Other	977,227	1,436,855
	<u>14,659,265</u>	<u>14,297,850</u>

Represented as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Non-current portion	4,241,033	4,868,880
Current portion	<u>10,418,232</u>	<u>9,428,970</u>
	<u>14,659,265</u>	<u>14,297,850</u>

\* The movement on provision for ECLs is as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance at the beginning of the year	1,662,535	1,676,893
Provision for expected credit losses	935,867	38,896
Bad debts written off	-	(53,254)
Balance at the end of the year	<u>2,598,402</u>	<u>1,662,535</u>

**11. INVENTORIES**

	<u>2024</u>	<u>2023</u>
	KD	KD
Construction materials	960,506	990,760
Raw and packing materials	946,587	784,201
	1,907,093	1,774,961
Less:		
Provision for obsolete and slow moving inventories *	<u>(224,170)</u>	<u>(421,839)</u>
	<u>1,682,923</u>	<u>1,353,122</u>

\* The movement on provision for obsolete and slow moving inventories is as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance as at the beginning of the year	421,839	857,466
Charged during the year	-	6,987
Written off	(14,540)	(442,614)
Reversal of provision	<u>(183,129)</u>	<u>-</u>
Balance as at the end of the year	<u>224,170</u>	<u>421,839</u>

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**12. TRADING PROPERTIES**

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance as at the beginning of the year	782,176	782,176
Disposals*	(498,224)	-
Foreign currency translation adjustments	1,247	-
Balance as at the end of the year	<u>285,199</u>	<u>782,176</u>

All trading properties are located in United Arab Emirates.

At 31 December 2024, the Group's management reviewed properties held for trading to assess if there is an impairment in their carrying values, based on valuations performed by independent professional real estate valuation experts using comparable approach of active market prices for similar properties adjusted considering location, plot area and other individual characteristics. The Group did not amortise trading properties as there were no differences in the net realisable value.

\* During the current financial year ended 31 December 2024, the Group sold certain properties held for trading with a carrying amount of KD 498,224 (31 December 2023: Nil) against a total amount of KD 480,000 (31 December 2023: Nil) (Note 28).

**13. RELATED PARTIES' DISCLOSURES**

The Group entered into various transactions with related parties in the normal course of its business (i.e. associates, key management personnel and other related parties). Prices and terms of payment relating to these transactions are approved by the Group's management. Significant balances and transactions with related parties are as follows:

(i) **Balances included in consolidated statement of financial position**

	<u>Associate</u>	<u>Other related parties</u>	<u>2024</u>	<u>2023</u>
	KD	KD	KD	KD
<b>Accounts receivable and other debit balances</b>				
Al-Ahlia Chemicals Company K.S.C. (Closed)	-	51,496	51,496	68,309
	<u>-</u>	<u>51,496</u>	<u>51,496</u>	<u>68,309</u>
<b>Due from related parties:</b>				
Warehousing Projects and Logistics Company W.L.L.*	1,903,175	-	1,903,175	1,903,175
Less: provision for expected credit losses**	<u>(1,903,175)</u>	<u>-</u>	<u>(1,903,175)</u>	<u>(1,903,175)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* The amount due from Warehousing Projects and Logistics Company W.L.L. represents an unsecured loan granted by the Parent Company which matured on 30 April 2015 and has not been renewed. The management has provided a provision against the outstanding balance. Management of the Parent Company has filed a legal case against the investee company in order to recover this balance, for which the Court of appeal issued its verdict in favor of the Parent Company. The verdict is under implementation and during the current year ended 31 December 2024, an amount of KD Nil (31 December 2023 : KD 92,647) was collected.

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13. RELATED PARTIES' DISCLOSURES (CONTINUED)

(i) Balances included in consolidated statement of financial position (Continued)

\*\* The movement on provision for expected credit losses is as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance at the beginning of the year	1,903,175	1,995,822
Reversal of provision for expected credit losses	-	(92,647)
Balance at the end of the year	<u>1,903,175</u>	<u>1,903,175</u>

(ii) Transactions included in the consolidated statement of profit or loss

	<u>2024</u>	<u>2023</u>
	KD	KD
<u>Compensation to key management personnel</u>		
Salaries and other short term benefits	75,547	71,171
Employees' end of service indemnity	5,966	5,950
Remuneration of Board of Directors and executive committees	71,000	67,500
	<u>152,513</u>	<u>144,621</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2024</u>	<u>2023</u>
	KD	KD
Unquoted securities	2,872,668	2,795,820
	<u>2,872,668</u>	<u>2,795,820</u>

The fair value of financial assets at fair value through profit or loss was determined based on valuation levels mentioned in (Note 33).

15. TERM DEPOSITS

Term deposits are placed with a local Islamic banks. They have an original maturity period of six months as of the deposit date. Average profit rate of term deposits is ranging from 4.19% to 4.30% (31 December 2023: from 4.19% to 4.30%) per annum. The Group has term deposit of KD 1,385,000 (31 December 2023: KD 550,000) that is mortgaged against non-cash bank facilities.

16. BANKS BALANCES AND CASH

	<u>2024</u>	<u>2023</u>
	KD	KD
Cash on hand	55,095	81,475
Cheques under collection	10,895	-
Cash at Kuwait Clearing Company	-	1,621
Current accounts	1,518,699	1,906,795
	<u>1,584,689</u>	<u>1,989,891</u>

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**17. DISCONTINUED OPERATIONS**

The Management of the Parent Company had a plan to actively pursue the disposal of its investment in the associate "Equipment Holding Company K.S.C.P." at 29.75% which has been approved by the Board of Directors in the meeting held on 17 October 2017.

During the current year ended 31 December 2024, the Group has sold its entire investment in its associate "Equipment Holding Company K.P.S.C." resulting in a profit of KD 159,192. The Group also waived its right in the current account due from the associate by an amount of KD 299,046, resulting in a loss by an amount of KD 299,046.

The movement of assets classified as held for sale during the year was as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance at the beginning of the year	498,376	594,028
Less: sale of the investment in an associate	(361,301)	(167,265)
Less: impairment loss on assets classified as held for sale	-	(65,736)
Add: due from an associate	161,971	137,349
Less: write-off due from an associate	(299,046)	-
	<u>-</u>	<u>498,376</u>

Management presented the loss from discontinued operations as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Gain from sale of investment in an associate	159,192	-
Impairment loss on assets classified as held for sale	-	(65,736)
Write-off due from an associate	(299,046)	-
	<u>(139,854)</u>	<u>(65,736)</u>

**18. SHARE CAPITAL**

The Parent Company's authorised, issued and fully paid up share capital is KD 18,736,988 distributed over 187,369,875 shares with nominal value of 100 Kuwaiti Fils each (Note 1 and Note 21) (31 December 2023: KD 17,844,750 distributed over 178,447,500 shares with nominal value of 100 Kuwaiti Fils each), and all shares are in cash.

In accordance with decision of the Extraordinary General Assembly of the Parent Company's Shareholders that held on 22 April 2024, approved an increase in the Parent Company's capital from KD 17,844,750 to KD 18,736,988. The increase in the amount of KD 892,238 was through bonus shares by 8,922,375 share of 100 fils per share. Shares are represented in bonus shares allocated to the Shareholders registered in the Parent Company's records. This was authenticated in the Commercial Register No. 5202 on 14 May 2024.

**19. STATUTORY RESERVE**

In accordance with the requirements of the Companies' Law and the Parent Company's Articles of Association, as amended, 10% of the net profit for the year attributable to Shareholders of the Parent Company before calculation of the contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is to be transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve balance exceeds 50% of the share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. An amount of KD 177,289 has been transferred to the statutory reserve at 31 December 2024 (31 December 2023: KD 212,040).

It is not allowed to distribute statutory reserve to Shareholders, it is only allowed to use it to distribute profits to Shareholders up to 5% of paid-up share capital in the years when retained earnings are not sufficient for the payment of a dividend of that amount.

**20. VOLUNTARY RESERVE**

In accordance with the requirements of the Parent Company's Articles of Association, as amended, a percentage of the net profit for the year attributable to Shareholders of the Parent Company for the year attributable to Shareholders of the Parent Company before calculation of the contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is to be transferred to the voluntary reserve. Such annual transfers may be discontinued by the Parent Company based on a resolution of the Shareholders' General Assembly upon recommendation by the Board of Directors.

The Parent Company's Shareholders' Ordinary General Assembly Meeting held on 30 March 2023, approved to stop transferring to voluntary reserve.

**21. GENERAL ASSEMBLY OF THE PARENT COMPANY'S SHAREHOLDERS**

At the meeting held on 13 March 2025, the Board of Directors have proposed distribution of cash dividends for the financial year ended 31 December 2024 of 2 fils per share after deduction of treasury shares, and the distribution of bonus shares of 7% of the capital for an amount KD 1,311,589 for the financial year ended 31 December 2024, and to pay remuneration to the Board of Directors of KD 50,000. This proposal is subject to the approval of Shareholders' Annual General Assembly Meeting.

The Parent Company's Shareholders' Ordinary General Assembly Meeting held on 15 April 2024 approved the consolidated financial statements of the Group for the financial ended 31 December 2023, and approved to distribute cash dividends for the financial year ended 31 December 2023 of 5 fils per share of the paid up capital after deducting the treasury shares, and the distribution of bonus shares of 5% of the capital for an amount of KD 892,238 for the financial year ended 31 December 2023, and pay remuneration to the Board of Directors of KD 50,000 for the financial year ended 31 December 2023.

The Extraordinary General Assembly of the Parent Company's Shareholders that held on 22 April 2024, approved an increase in the Parent Company's capital from KD 17,844,750 to KD 18,736,988. The increase in the amount of KD 892,238 was through bonus shares by 8,922,375 share of 100 fils per share. Shares are represented in bonus shares allocated to the Shareholders registered in the Parent Company's records. This was authenticated in the Commercial Register No. 5202 on 14 May 2024.

The Parent Company's Shareholders' Ordinary General Assembly Meeting held on 30 March 2023 approved the consolidated financial statements of the Group for the financial year ended 31 December 2022, and approved to distribute cash dividends for the financial year ended 31 December 2022 of 7 fils per share of the paid up capital after deducting the treasury shares, and the distribution of bonus shares of 5% of the capital for an amount of KD 849,750 for the financial year ended 31 December 2022, and pay remuneration to the Board of Directors of KD 50,000 for the financial year ended 31 December 2022.

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**21. GENERAL ASSEMBLY OF THE PARENT COMPANY'S SHAREHOLDERS (CONTINUED)**

The Extraordinary General Assembly of the Parent Company's Shareholders that held on 6 April 2023, approved an increase in the Parent Company's capital from KD 16,995,000 to KD 17,844,750. The increase in the amount of KD 849,750 was through bonus shares by 8,497,500 share of 100 fils per share through the following:

- 7,740,440 shares with the amount of KD 774,044 from the retained earnings.
- 757,060 shares with the amount of KD 75,706 from the voluntary reserve.

Shares are represented in bonus shares allocated to the Shareholders register in the Parent Company's records. This was authenticated in the Commercial Register No. 5202 dated on 2 May 2023.

**22. OTHER COMPONENTS OF EQUITY**

	Revaluation reserve	Fair value reserve for financial assets at fair value through other comprehensive income	Foreign currencies translation reserve	Treasury shares reserve	Total
	KD	KD	KD	KD	KD
<b>Balance as at 1 January 2024</b>	188,588	139,967	142,827	748,437	1,219,819
Differences of foreign currencies translation	-	-	7,553	-	7,553
Change in fair value	-	(36,700)	-	-	(36,700)
Transfer relating to depreciation expenses charged to retained earnings	(25,415)	-	-	-	(25,415)
<b>Balance as at 31 December 2024</b>	<u>163,173</u>	<u>103,267</u>	<u>150,380</u>	<u>748,437</u>	<u>1,165,257</u>

	Revaluation reserve	Fair value reserve for financial assets at fair value through other comprehensive income	Foreign currencies translation reserve	Treasury shares reserve	Total
	KD	KD	KD	KD	KD
<b>Balance as at 1 January 2023</b>	214,003	28,097	148,554	748,437	1,139,091
Differences of foreign currencies translation	-	-	(5,727)	-	(5,727)
Change in fair value	-	96,880	-	-	96,880
Impact of disposal of financial assets at fair value through other comprehensive income	-	14,990	-	-	14,990
Transfer relating to depreciation expenses charged to retained earnings	(25,415)	-	-	-	(25,415)
<b>Balance as at 31 December 2023</b>	<u>188,588</u>	<u>139,967</u>	<u>142,827</u>	<u>748,437</u>	<u>1,219,819</u>

**23. TREASURY SHARES**

	2024	2023
Number of shares	9,135,860	8,700,707
Percentage to paid up shares	4.88%	4.88%
Market value (KD)	1,178,526	896,173
Cost (KD)	2,418,587	2,418,587

The Parent Company's management has locked off an amount equal to treasury shares balance from reserves as at the consolidated financial statements date. Such amount will not be available for distribution over the period in which the Parent Company holds treasury shares.

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**24. PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY**

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance as at the beginning of the year	807,379	792,396
Charged during the year	169,883	132,864
Paid during the year	<u>(103,881)</u>	<u>(117,881)</u>
Balance as at the end of the year	<u>873,381</u>	<u>807,379</u>

**25. LEASE LIABILITIES**

	<u>Minimum lease payment</u>		<u>Present value of minimum lease payments</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	KD	KD	KD	KD
Amounts payable associated with lease liabilities during the year	606,236	334,062	303,341	292,216
From the second year to the Thirteenth year	<u>4,065,099</u>	<u>4,381,349</u>	<u>1,886,824</u>	<u>1,826,481</u>
Total lease liabilities	4,671,335	4,715,411	2,190,165	2,118,697
Less: unamortised future finance charges	<u>(2,406,888)</u>	<u>(2,262,652)</u>	-	-
Payments during the year	<u>(74,282)</u>	<u>(334,062)</u>	-	-
Present value of minimum lease payments	<u>2,190,165</u>	<u>2,118,697</u>	<u>2,190,165</u>	<u>2,118,697</u>

The movement on lease liabilities is as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Non-current portion	1,886,824	1,826,481
Current portion	<u>303,341</u>	<u>292,216</u>
	<u>2,190,165</u>	<u>2,118,697</u>

The effective borrowing average interest rate for the year ended 31 December 2024 is 14.32%.

**26. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES**

	<u>2024</u>	<u>2023</u>
	KD	KD
Trade payables	1,621,807	1,527,426
Advance payments from customers	1,029,368	1,561,405
Retention payable	444,744	491,293
Contract liabilities	136,177	61,462
Kuwait Foundation for the Advancement of Sciences*	35,182	19,226
Zakat	28,002	14,728
NLST	70,004	40,476
Others	<u>1,040,072</u>	<u>1,467,259</u>
	<u>4,405,356</u>	<u>5,183,275</u>

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**26. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES (CONTINUED)**

\* The following is the movement on the outstanding share of the Kuwait Foundation for the Advancement of Sciences:

	<u>2024</u>	<u>2023</u>
	KD	KD
Balance as at the beginning of the year	19,226	57,059
Charged during the year	15,956	19,226
Paid during the year	-	(57,059)
Balance as at the end of the year	<u>35,182</u>	<u>19,226</u>
Represented as follows:		
	<u>2024</u>	<u>2023</u>
	KD	KD
Non-current liabilities	2,192,103	2,518,790
Current liabilities	<u>2,213,253</u>	<u>2,664,485</u>
	<u>4,405,356</u>	<u>5,183,275</u>

**27. MURABAHA PAYABLES**

	<u>2024</u>	<u>2023</u>
	KD	KD
Murabaha payables	6,275,038	7,080,353
Less: deferred profit	<u>(79,038)</u>	<u>(71,025)</u>
	<u>6,196,000</u>	<u>7,009,328</u>

The fair value of Murabaha payable approximates its carrying amount as at the date of financial statements and maturing within a year. Murabaha payable carry an effective profit rate 2.5% over Central Bank of Kuwait discount rate per annum (31 December 2023: 2.5% above Central Bank of Kuwait discount rate per annum).

**28. REVENUES**

*Revenues details*

	<u>2024</u>	<u>2023</u>
	KD	KD
General trading revenues	4,117,885	4,966,476
Contract revenues	655,616	727,852
Construction revenues	6,581,636	5,786,420
Oil and gas services revenues	1,306,622	230,634
Computer systems and software revenues	844,808	1,439,242
Sale of trading properties (Note 12)	480,000	-
Total revenue from contracts with customers (*)	<u>13,986,567</u>	<u>13,150,624</u>
Rental income revenue	361,863	135,929
Total revenue	<u>14,348,430</u>	<u>13,286,553</u>

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**28. REVENUES (CONTINUED)**

*Revenues details (Continued)*

(\* ) The Group classified the revenue from contracts with customers as stated in the following table:

<b>2024</b>	<b>General trading, contracting and constructions</b>	<b>Trading properties</b>	<b>Total</b>
<i>Revenue Types:</i>	KD	KD	KD
General trading revenue	4,117,885	-	4,117,885
Contract revenues	655,616	-	655,616
Construction revenues	6,581,636	-	6,581,636
Oil and gas services revenues	1,306,622	-	1,306,622
Computer systems and software revenues	844,808	-	844,808
Trading properties revenues	-	480,000	480,000
<b>Total revenues from contracts with customers</b>	<b>13,506,567</b>	<b>480,000</b>	<b>13,986,567</b>
<i>Main geographical market:</i>			
State of Kuwait	13,506,567	-	13,506,567
United Arab Emirate	-	480,000	480,000
	<b>13,506,567</b>	<b>480,000</b>	<b>13,986,567</b>
<i>Timing of revenue recognition:</i>			
At point of time	4,117,885	480,000	4,597,885
Over time	9,388,682	-	9,388,682
<b>Total revenues from contracts with customers</b>	<b>13,506,567</b>	<b>480,000</b>	<b>13,986,567</b>
<b>2023</b>	<b>General trading, contracting and constructions</b>	<b>Total</b>	<b>Total</b>
<i>Revenue Types:</i>	KD	KD	KD
General trading revenue	4,966,476	4,966,476	4,966,476
Contract revenues	727,852	727,852	727,852
Construction revenues	5,786,420	5,786,420	5,786,420
Oil and gas services revenues	230,634	230,634	230,634
Computer systems and software revenues	1,439,242	1,439,242	1,439,242
<b>Total revenues from contracts with customers</b>	<b>13,150,624</b>	<b>13,150,624</b>	<b>13,150,624</b>
<i>Main geographical market:</i>			
State of Kuwait	13,150,624	13,150,624	13,150,624
	<b>13,150,624</b>	<b>13,150,624</b>	<b>13,150,624</b>
<i>Timing of revenue recognition:</i>			
At point of time	4,966,476	4,966,476	4,966,476
Over time	8,184,148	8,184,148	8,184,148
<b>Total revenues from contracts with customers</b>	<b>13,150,624</b>	<b>13,150,624</b>	<b>13,150,624</b>

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**29. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY**

Basic and diluted earnings / (loss) per share is calculated by dividing the profit / (loss) for the year attributable to Shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings / (loss) per share based on the weighted average number of shares outstanding during the year is as follows:

	<u>2024</u>	<u>2023</u>
Profit for the year from the continuing operations attributable to the Shareholders of the Parent Company (KD)	1,748,777	2,075,692
Loss for the year from the discontinuing operations attributable to the Shareholders of the Parent Company (KD)	(139,854)	(65,736)
Profit for the year attributable to the Shareholders of the Parent Company (KD)	<u>1,608,923</u>	<u>2,009,956</u>
Number of outstanding shares of the Parent Company (share)	187,369,875	187,369,875
Less: weighted average number of treasury shares of the Parent Company (share)	(9,135,860)	(8,700,707)
Weighted average number of outstanding shares of the Parent Company (share)	<u>178,234,015</u>	<u>178,669,168</u>
Basic and diluted earnings per share from the continuing operations attributable to the Shareholders of the Parent Company (Fils)	<u>9.81</u>	<u>11.62</u>
Basic and diluted loss per share from the discontinuing operations attributable to Shareholders of the Parent Company (Fils)	<u>(0.78)</u>	<u>(0.37)</u>
Basic and diluted earnings per share attributable to the Shareholders of the Parent Company (Fils)	<u>9.03</u>	<u>11.25</u>

Basic and diluted earnings / (loss) per share of the presented comparative year is adjusted to reflect the issuance of the bonus shares.

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30. SEGMENTS INFORMATION

The Group's assets and activities are based in Kuwait and GCC countries. The Group's activities are represented primarily in general trading, contracting, construction, oil, gas and real estates as follows:

2024	General trading, contracting and construction activities			Oil and gas activities		Real estate activities		Total	
	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment operating revenues	12,561,808	1,306,622	480,000	14,348,430					
Segment results	2,088,538	62,155	(42,358)	2,108,335					
Depreciation and amortisation	(1,202,006)	-	-	(1,202,006)					
Change in fair value of investment properties			877,015	877,015					
Share of results from associates				(119,969)					
Dividends income				8,554					
Unrealised gain on financial assets at fair value through profit or loss				76,848					
Profit for the year from continuing operations				1,748,777					
Loss for the year from discontinued operations				(139,854)					
Profit for the year				1,608,923					
Total assets	42,153,203	1,317,811	3,188,204	46,659,218					
Total liabilities	(11,302,720)	(61,008)	(2,301,174)	(13,664,902)					
	30,850,483	1,256,803	887,030	32,994,316					

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30. SEGMENT INFORMATION (CONTINUED)

2023	General trading, contracting and construction activities	Oil and gas activities	Real estate activities	Total
	KD	KD	KD	KD
Segment operating revenues	13,055,919	230,634	-	13,286,553
Segment results	2,700,558	(30,438)	(2,128)	2,667,992
Depreciation and amortisation				(847,970)
Share of results from associates				(97,153)
Dividends income				229,916
Unrealised gain on financial assets at fair value through profit or loss				119,002
Realised loss on sale of financial assets at fair value through profit or loss				(4,032)
Profit for the year from continuing operations				2,067,755
Loss for the year from discontinued operations				(65,736)
Profit for the year				2,002,019
Total assets*	*43,289,680	443,300	3,934,411	47,667,391
Total liabilities	(12,845,828)	(9,023)	(2,263,828)	(15,118,679)
	30,443,852	434,277	1,670,583	32,548,712

\* Including assets classified as held for sale.

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**31. CONTINGENT LIABILITIES**

At the consolidated financial position date, the Group is contingently liable in respect of the following, from which it is anticipated that no material liability will arise.

	<u>2024</u>	<u>2023</u>
	KD	KD
Letters of guarantee and letters of credit	<u>14,180,654</u>	<u>12,119,623</u>

**32. CAPITAL MANAGEMENT AND FINANCIAL RISK**

**Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk.

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

The Group monitors capital on the basis of gearing ratio, which is calculated by net debt value divided by total invested capital. Net debt is calculated as the total debt less term deposits and banks balances and cash. Total capital invested is calculated as the total equity and net debt.

**Gearing ratio**

	<u>2024</u>	<u>2023</u>
	KD	KD
Murabaha payable	6,196,000	7,009,328
Less:		
Term deposits	(2,500,000)	(3,050,000)
Banks balances and cash (Note 16)	<u>(1,584,689)</u>	<u>(1,989,891)</u>
Net debt	2,111,311	1,969,437
Total equity	<u>32,994,316</u>	<u>32,548,712</u>
Total capital	<u>35,105,627</u>	<u>34,518,149</u>
<b>Gearing ratio</b>	<u>6.01%</u>	<u>5.71%</u>

**Financial risk**

**Categories of financial instruments**

	<u>2024</u>	<u>2023</u>
	KD	KD
<b>Financial assets</b>		
Financial assets at fair value through other comprehensive income	2,600,769	2,637,469
Accounts receivable and other debit balances (excluding advance payments to suppliers)	13,440,348	12,990,265
Financial assets at fair value through profit or loss	2,872,668	2,795,820
Term deposits	2,500,000	3,050,000
Banks balances and cash	1,584,689	1,989,891

32. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Categories of financial instruments (Continued)

	<u>2024</u>	<u>2023</u>
	KD	KD
<b>Financial liabilities</b>		
Murabaha payable	6,196,000	7,009,328
Accounts payable and other credit balances (excluding advance payments from customers)	3,375,988	3,621,870

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. Market risk is divided into foreign currency risk, interest rate risk and equity price risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2024 and 31 December 2023.

The Parent Company's Board of Directors is ultimately responsible to set out policies and strategies for management of risks.

The management of the Group reviews and approves policies for managing each of these risks which are summarised below:

*Credit risk*

Credit risk is the risk that a party to a financial instrument will fail to discharge its obligations causing to incur financial losses.

The Group has policies and procedures in place to limit the amount of credit exposure to any counterparty and to monitor the collection of the debit balances on an ongoing basis. The Group limits its credit risk with regard to term deposits and banks balances and cash by only dealing with high credit rating banks. In addition, debit balances are monitored on an ongoing basis. Accordingly, the Group's exposure to bad debts is insignificant.

*Maximum exposure to credit risk*

The Group's exposure to credit risk from the financial assets arises from default of the counterparty. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in the value. The maximum exposure to credit risk is the carrying amount of the financial assets, which is stated in the consolidated statement of financial position.

*Risk of impairment of financial assets*

Financial assets exposed to impairment risk include "accounts receivable and other debit balances", "term deposits" and "banks balances and cash".

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32. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Accounts receivable and other debit balances

The Group adopts the simplified approach in accordance with IFRS 9 to measure ECLs through using provision for ECLs based on the period of ECLs for all accounts receivable.

Accounts receivable are consolidated based on characterisations of the mutual credit risk and its maturity in order to measure the expected credit losses. Accordingly, the Group's management believes that expected credit losses rates of accounts receivable represent a reasonable approximation of actual results of customer default in the subsequent periods.

On this basis, the provision for impairment loss of accounts receivable as at 31 December 2024 and 31 December 2023 has been determined as follows:

31 December 2024:

<u>Ageing of receivables</u>	<u>Accounts receivable</u> KD	<u>Percentage of the expected default</u>	<u>Provision for impairment losses</u> KD
Less than 90 days	5,018,836	0.17%	8,309
90 to 180 days	446,760	3.93%	17,558
180 to 365 days	650,454	9.98%	64,932
From 365 to 730 days	576,581	16.54%	95,352
More than 730 days	5,351,291	45.08%	2,412,251
	<u>12,043,922</u>		<u>2,598,402</u>

31 December 2023:

<u>Ageing of receivables</u>	<u>Accounts receivable</u> KD	<u>Percentage of the expected default</u>	<u>Provision for impairment losses</u> KD
Less than 90 days	2,113,624	0.62%	13,167
90 to 180 days	332,163	3.52%	11,699
180 to 365 days	737,782	10.06%	74,205
From 365 to 730 days	1,482,477	11.19%	165,930
More than 730 days	6,652,705	21.01%	1,397,534
	<u>11,318,751</u>		<u>1,662,535</u>

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators include lack of a reasonable expectation of recovery, among other matters, such as the failure of the customer to subscribe to a payment plan with the Group and lack to make contractual payments for more than 730 days except for the contractual retentions.

The Group continues to use both changes in delay period and likelihood of default as indicator for the significant increase in credit risk. Further, the Group has reviewed the used methodologies and assumptions.

While other debit balances and due from related parties are also subject to the requirements of credit loss in IFRS 9, the impairment loss is insignificant.

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32. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

**Financial risk (Continued)**

*Credit risk (Continued)*

Term deposits and banks balances and cash

Term deposits and banks balances and cash are also subject to the requirements of credit losses in IFRS 9. Cash is placed with high credit rating financial institutions. Therefore, the Group's management believes that the impairment loss is insignificant.

*Credit risk exposure*

The carrying values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
Accounts receivable and other debit balances (excluding advance payments to suppliers)	13,439,101	12,990,265
Term deposits	2,500,000	3,050,000
Banks balances	<u>1,529,594</u>	<u>1,908,416</u>
	<u>17,468,695</u>	<u>17,948,681</u>

*Credit concentration risk*

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting in particular industry or geographical location.

Analysis of the Group's financial assets that are exposed to credit risk by geographic segment is as follows:

	<u>2024</u>	<u>2023</u>
	KD	KD
<i>Geographical segment:</i>		
State of Kuwait	17,203,678	17,444,749
Middle East	<u>265,017</u>	<u>503,932</u>
	<u>17,468,695</u>	<u>17,948,681</u>

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The risk is managed by the Group by ensuring that bank facilities are available and by monitoring on a regular basis that sufficient funds are available to meet future commitments.

The following table summarises the maturities of the Group's undiscounted financial liabilities as at 31 December based on contractual payment dates and current market interest rates.

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32. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Liquidity risk (Continued)

2024	Less than 3 months KD	3 to 12 months KD	More than one year KD	Total KD
Murabaha payable	6,196,000	-	-	6,196,000
Accounts payable and other credit balances (excluding advance payments from customers)	2,202,728	782,715	390,545	3,375,988
Lease liabilities	75,839	227,502	4,274,656	4,577,997
	8,474,567	1,010,217	4,665,201	14,149,985
2023	Less than 3 months KD	3 to 12 months KD	More than one year KD	Total KD
Murabaha payable	7,009,328	-	-	7,009,328
Accounts payable and other credit balances (excluding advance payments from customers)	2,080,182	974,591	567,097	3,621,870
Lease liabilities	73,054	219,162	4,233,369	4,525,585
	9,162,564	1,193,753	4,800,466	15,156,783

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity price will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rate and equity price.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The Group mainly operates in the Middle Eastern countries and is exposed to foreign currency rate risk arising from various foreign currency exposures, primarily with respect to US Dollar, SAR, AED, QR, Euro, OMR and EGP. The Group's consolidated statement of financial position can be significantly affected due to fluctuations in foreign currency exchange rates. To mitigate the Group's exposure to foreign currency risk, foreign currency cash flows are monitored.

The Group's significant net exposure to foreign currency risk arising from the monetary asset denominated in foreign currencies less monetary liabilities at the reporting date, and which are translated into Kuwaiti Dinar as per the closing rates are as follows:

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**32. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)**

**Financial risk (Continued)**

*Market risk (Continued)*

(i) *Foreign currency risk (Continued)*

Currency	2024	2023
	KD	KD
	(Equivalent)	(Equivalent)
USD	34,089	90,049
SAR	605,275	5,179,814
AED	27,794	(13,667)
Euro	22,724	35,365
OMR	86,983	86,602
EGP	1,223	1,223

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates used by the Group against the Kuwaiti Dinar. The effect of decrease in currency is expected to be equal and opposite to the effect of the increases shown below:

Currency	2024	2023
	KD	KD
	(Equivalent)	(Equivalent)
USD	1,704	4,502
SAR	30,264	258,991
AED	1,390	(683)
Euro	1,136	1,768
OMR	4,349	4,330
EGP	61	61

Management believes that there is a limited risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency risk exposure.

(ii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate. The Group is not exposed to interest rate risk as the Group does not have any floating interest bearing assets and liabilities.

(iii) *Equity price risk*

Equity price risk arises from the changes in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. At the reporting date, the Group is not subject to the equity price risk, as they do not have quoted investments.

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33. FAIR VALUE MEASUREMENT

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Group's management, the carrying values of the financial assets and liabilities as at 31 December 2024 and 2023 are not significantly different from their carrying value.

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).

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

The level within which the financial and non-financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

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

2024	Level 2	Level 3	Total
	KD	KD	KD
<b>Financial assets</b>			
Financial assets at fair value through other comprehensive income	101,591	2,499,178	2,600,769
Financial assets at fair value through profit or loss	-	2,872,668	2,872,668
<b>Non-financial assets</b>			
Investment properties	7,205,000	-	7,205,000
2023	Level 2	Level 3	Total
	KD	KD	KD
<b>Financial assets</b>			
Financial assets at fair value through other comprehensive income	107,918	2,529,551	2,637,469
Financial assets at fair value through profit or loss	-	2,795,820	2,795,820
<b>Non-financial assets</b>			
Investment properties	6,250,000	-	6,250,000

*Fair value recorded in the consolidated statement of financial position*

In accordance with the requirements of IFRS Accounting Standards, the Group presents certain information about financial instruments measured at fair value in the consolidated statement of financial position.

The level within which financial assets and liabilities are classified is determined based on the lowest level of significant inputs which led to the measurement of the fair value.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuations.

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33. FAIR VALUE MEASUREMENT (CONTINUED)

The fair value of financial assets and liabilities are categorised under level 3 below by using recognised valuation technique such as discounted cash flows.

The table below gives information about how the fair values of the financial and non-financial assets are determined:

Financial assets	Fair value As at 31 December		Fair value level	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2024	2023				
	KD	KD				
<i>Financial assets at fair value through other comprehensive income</i>						
Unquoted securities	101,591	107,918	Two	Market comparative	Market price	The higher the market price, the higher the fair value
Unquoted securities	2,499,178	2,529,551	Three	Discounted Cash Flow method ("DCF")	Discount rate and growth rate	The higher the discount rate, the lower the fair value
<i>Financial assets at fair value through profit or loss</i>						
Unquoted securities	2,872,668	2,795,820	Three	Discounted Cash Flow method ("DCF")	Discount rate and growth rate	The higher the discount rate, the lower the fair value
<b>Non-financial assets</b>						
Investment Properties	7,205,000	6,250,000	Two	Market comparative	Market price	The higher the market price, the higher the fair value

Reconciliation of Level 3 fair value measurements of assets is as follows:

	<b>Financial assets at fair value through other comprehensive income</b>
	KD
<b>2024</b>	
1 January 2024	2,529,551
Change in fair value	(30,373)
31 December 2024	<u>2,499,178</u>
	<b>Financial assets at fair value through profit or loss</b>
	KD
<b>2024</b>	
1 January 2024	2,795,820
Unrealised gain	76,848
31 December 2024	<u>2,872,668</u>

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**33. FAIR VALUE MEASUREMENT (CONTINUED)**

	<u>Investment properties</u>
	KD
<b><u>2024</u></b>	
1 January 2024	6,250,000
Additions	77,985
Change in fair value	877,015
31 December 2024	<u>7,205,000</u>
	<b>Financial assets at fair value through other comprehensive income</b>
	KD
<b><u>2023</u></b>	
1 January 2023	2,421,883
Change in fair value	107,668
31 December 2023	<u>2,529,551</u>
	<b>Financial assets at fair value through profit or loss</b>
	KD
<b><u>2023</u></b>	
1 January 2023	2,676,818
Unrealised gain	119,002
31 December 2023	<u>2,795,820</u>
	<b>Investment property</b>
	KD
<b><u>2023</u></b>	
1 January 2024	6,250,000
31 December 2024	<u>6,250,000</u>

**34. LEGAL CLAIMS**

The Group has legal claims represented in legal claims filed by the Group against third parties and by third parties against the Group. It is not possible to estimate the results that will arise from these legal claims until they are ruled by courts. In the opinion of the legal counsel and Group's management, these claims will not have material adverse impact on the consolidated financial statements of the Group. Accordingly, the Group did not make any additional provisions for these lawsuits because there are enough provisions for them as at the date of the accompanying consolidated financial statements.