

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

| | Notes | 2024 KD | 2023 KD |
|---|-------|---------------------|--------------|
| Revenue from contracts with customers | 5 | 37,900,756 | 35,125,459 |
| Cost of sales and services rendered | 6 | (24,962,157) | (22,488,127) |
| GROSS PROFIT | | 12,938,599 | 12,637,332 |
| Commission income | | 3,641 | 43,652 |
| General and administrative expenses | | (3,610,788) | (3,051,910) |
| Selling and distribution expenses | | (610,950) | (693,287) |
| Other expenses | | - | (47,562) |
| (Allowance for) reversal of expected credit losses on trade receivables | 13 | (72,895) | 46,294 |
| Net foreign exchange differences | | (11,554) | (37,523) |
| OPERATING PROFIT | | 8,636,053 | 8,896,996 |
| Share of results of an associate | 10 | 340,043 | (499,006) |
| Other income | | 130,569 | 210,094 |
| Finance costs | | (34,544) | (40,799) |
| PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION | | 9,072,121 | 8,567,285 |
| Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS") | 20 | (91,450) | (90,200) |
| National Labour Support Tax ("NLST") | | (230,453) | (225,769) |
| Zakat | | (92,181) | (90,308) |
| Directors' remuneration | 22 | (56,000) | (96,000) |
| PROFIT FOR THE YEAR | 6 | 8,602,037 | 8,065,008 |
| BASIC AND DILUTED EARNINGS PER SHARE (EPS) | 7 | 85.25 fils | 79.93 fils |

The notes set out on pages 1 to 27 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

| | 2024 <i>KD</i> | 2023 <i>KD</i> |
|---|-------------------|-------------------|
| PROFIT FOR THE YEAR | 8,602,037 | 8,065,008 |
| Other comprehensive income: | | |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | 18,401 | 9,870 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | 18,401 | 9,870 |
| <i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i> | | |
| Share of other comprehensive loss of an associate | (184,600) | - |
| Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods | (184,600) | - |
| Other comprehensive (loss) income for the year | (166,199) | 9,870 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 8,435,838 | 8,074,878 |

The notes set out on pages 1 to 27 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

| | Notes | 2024 KD | 2023 KD |
|---|-------|-------------------|-------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 15,593,129 | 14,946,302 |
| Right-of-use assets | 9 | 507,786 | 282,375 |
| Investment in an associate | 10 | 2,340,856 | 2,185,413 |
| Goodwill | 11 | 4,937,402 | 4,937,402 |
| Prepayments and other receivables | 14 | 637,571 | 644,792 |
| | | 24,016,744 | 22,996,284 |
| Current assets | | | |
| Inventories | 12 | 4,287,125 | 3,278,298 |
| Trade receivables and contract assets | 13 | 10,375,260 | 10,745,510 |
| Prepayments and other receivables | 14 | 1,927,792 | 1,938,946 |
| Cash and cash equivalents | 15 | 6,440,898 | 4,713,034 |
| | | 23,031,075 | 20,675,788 |
| TOTAL ASSETS | | 47,047,819 | 43,672,072 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 16 | 10,090,080 | 10,090,080 |
| Statutory reserve | 17 | 5,186,422 | 5,186,422 |
| Voluntary reserve | 18 | 5,148,415 | 5,148,415 |
| Effect of changes in other comprehensive income of an associate | | (2,747,423) | (2,562,823) |
| Foreign currency translation reserve | | 624,138 | 605,737 |
| Retained earnings | | 20,574,504 | 17,017,507 |
| Total equity | | 38,876,136 | 35,485,338 |
| Non-current liabilities | | | |
| Employees' end of service benefits | 19 | 2,170,094 | 2,096,996 |
| Lease liabilities | 9 | 445,271 | 272,268 |
| | | 2,615,365 | 2,369,264 |
| Current liabilities | | | |
| Trade payables, contract liabilities and other payables | 20 | 5,466,628 | 5,789,190 |
| Lease liabilities | 9 | 89,690 | 28,280 |
| | | 5,556,318 | 5,817,470 |
| Total liabilities | | 8,171,683 | 8,186,734 |
| TOTAL EQUITY AND LIABILITIES | | 47,047,819 | 43,672,072 |

Nawaf Arhamah Salem Arhamah
Chairman

Faisal Youssef Malallah
Chief Executive Officer

The notes set out on pages 1 to 27 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

| | <i>Share capital KD</i> | <i>Statutory reserve KD</i> | <i>Voluntary reserve KD</i> | <i>Effect of changes in other comprehensive income of an associate KD</i> | <i>Foreign currency translation reserve KD</i> | <i>Retained earnings KD</i> | <i>Total KD</i> |
|--|-----------------------------|-------------------------------------|-------------------------------------|---|--|-------------------------------------|---------------------|
| As at 1 January 2024 | 10,090,080 | 5,186,422 | 5,148,415 | (2,562,823) | 605,737 | 17,017,507 | 35,485,338 |
| Profit for the year | - | - | - | - | - | 8,602,037 | 8,602,037 |
| Other comprehensive (loss) income for the year | - | - | - | (184,600) | 18,401 | - | (166,199) |
| Total comprehensive (loss) income for the year | - | - | - | (184,600) | 18,401 | 8,602,037 | 8,435,838 |
| Cash dividends (Note 23) | - | - | - | - | - | (5,045,040) | (5,045,040) |
| At 31 December 2024 | 10,090,080 | 5,186,422 | 5,148,415 | (2,747,423) | 624,138 | 20,574,504 | 38,876,136 |
| As at 1 January 2023 | 10,090,080 | 5,186,422 | 5,148,415 | (2,562,823) | 595,867 | 13,997,539 | 32,455,500 |
| Profit for the year | - | - | - | - | - | 8,065,008 | 8,065,008 |
| Other comprehensive income for the year | - | - | - | - | 9,870 | - | 9,870 |
| Total comprehensive income for the year | - | - | - | - | 9,870 | 8,065,008 | 8,074,878 |
| Cash dividends (Note 23) | - | - | - | - | - | (5,045,040) | (5,045,040) |
| At 31 December 2023 | 10,090,080 | 5,186,422 | 5,148,415 | (2,562,823) | 605,737 | 17,017,507 | 35,485,338 |

The notes set out on pages 1 to 27 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

| | Notes | 2024 KD | 2023 KD |
|--|-------|--------------------|-------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax and directors' remuneration | | 9,072,121 | 8,567,285 |
| <i>Adjustments to reconcile profit before tax and directors' remuneration to net cash flows:</i> | | | |
| Depreciation of property, plant and equipment | 8 | 2,870,502 | 2,676,241 |
| Depreciation on right-of-use assets | 9 | 187,006 | 248,228 |
| Allowance for (reversal of) expected credit losses on trade receivables | 13 | 72,895 | (46,294) |
| Share of results of an associate | 10 | (340,043) | 499,006 |
| Provision for employees' end of service benefits | 19 | 284,651 | 317,150 |
| Interest on loans and borrowings | | 8,890 | 24,110 |
| Interest on lease liabilities | 9 | 25,654 | 16,689 |
| Gain on derecognition of leases | 9 | (15) | - |
| Interest income | | (55,789) | (22,070) |
| | | 12,125,872 | 12,280,345 |
| <i>Working capital changes:</i> | | | |
| Inventories | | (1,008,827) | (133,926) |
| Trade receivables and contract assets | | 297,355 | (478,089) |
| Prepayments and other receivables | | 18,375 | (20,842) |
| Trade payables, contract liabilities and other payables | | (338,501) | (769,382) |
| Cash flows from operations | | 11,094,274 | 10,878,106 |
| Taxes paid | | (379,161) | (473,261) |
| Employees end of service benefits paid | 19 | (211,553) | (306,382) |
| Net cash flows from operating activities | | 10,503,560 | 10,098,463 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 8 | (3,509,351) | (2,992,671) |
| Interest income received | | 55,789 | 22,070 |
| Net cash flows used in investing activities | | (3,453,562) | (2,970,601) |
| FINANCING ACTIVITIES | | | |
| Proceeds from loans and borrowings | | 2,000,000 | 1,800,000 |
| Repayment of loans and borrowings | | (2,000,000) | (1,800,000) |
| Finance costs paid | | (8,890) | (24,110) |
| Payment of lease liabilities | 9 | (203,643) | (270,423) |
| Dividends paid | 23 | (5,120,024) | (5,003,370) |
| Net cash flows used in financing activities | | (5,332,557) | (5,297,903) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents as at 1 January | | 1,717,441 | 1,829,959 |
| Net foreign exchange differences | | 4,713,034 | 2,875,298 |
| | | 10,423 | 7,777 |
| CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER | 15 | 6,440,898 | 4,713,034 |
| Non-cash items excluded from the consolidated statement of cash flows: | | | |
| Additions to lease liabilities | 9 | 393,030 | 60,557 |
| Additions to right-of-use assets | 9 | (393,030) | (60,557) |
| Remeasurement of lease liabilities | 9 | 23,377 | - |
| Remeasurement of right-of-use assets | 9 | (23,377) | - |
| Derecognition of lease liabilities | 9 | (4,005) | - |
| Derecognition of right-of-use assets | 9 | 3,990 | - |
| | | (15) | - |

The notes set out on pages 1 to 27 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

1 CORPORATE INFORMATION

The consolidated financial statements of Al Kout Industrial Projects Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 13 March 2025 and the shareholders have the power to amend these consolidated financial statements at the Annual General Assembly Meeting (“AGM”).

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved in the Annual General Assembly Meeting (AGM) of the shareholders of the Parent Company held on 2 May 2024.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company head office is located in Jasim Tower, 11th floor, Soor Street, Almirqab and its registered postal address is P.O. Box 181, Ali Sabah Al Salem 65000, Kuwait.

The principal activities of the Group are, as follows:

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

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

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

2.1 BASIS OF PREPARATION

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

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

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The consolidated financial statements include the following subsidiaries:

| Entity | Principal activities | Country of incorporation | Equity interest % | |
|--|--------------------------------------|---------------------------------|--------------------------|-------------|
| | | | 2024 | 2023 |
| Directly held | | | | |
| Al Kout Logistics and Transport Company W.L.L.* | Transportation services | Kuwait | 99.5 | 99.5 |
| Al Kout Petrochemical Products Company W.L.L.* | Blending of chemical products | Kuwait United Arab Emirates | 80 | 80 |
| Safewater Chemicals L.L.C. | Manufacture of Chlor Alkali products | United Arab Emirates | 100 | 100 |
| United Materials General Trading Company W.L.L. * | Sale of petrochemical products | Kuwait United Arab Emirates | 99 | 99 |
| Al Mawad Chemicals Trading Company L.L.C | Sale of petrochemical products | United Arab Emirates | 100 | 100 |
| Indirectly held through | | | | |
| United Materials General Trading Company W.L.L. | | | | |
| CISCO Trading Company W.L.L.* | Sale of petrochemical products | Kuwait | 99.99 | 99.99 |
| Safwan Enviro-Chem Technologies Company W.L.L.* | Sale of petrochemical products | Kuwait | 99.99 | 99.99 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 standard had no impact on the consolidated financial statements of the Group.

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 impact on the consolidated financial statements of the Group.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

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 impact on the consolidated financial statements of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Lack of Exchangeability (Amendments to IAS 21)

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.

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, which are effective for reporting periods beginning on or after 1 January 2027. 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.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)

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 primary consolidated financial statements and notes to the consolidated financial statements.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, consolidated financial position or performance of the Group.

3 MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Business combinations and goodwill

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

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

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

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

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

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Investment in an associate

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

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

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

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

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

3.3 Revenue from contracts with customers

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

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

Sale of goods

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

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

(i) Variable consideration

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Revenue from contracts with customers (continued)

Sale of goods (continued)

► *Volume rebates*

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

(ii) Significant financing component

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

Rendering of services

The Group is primarily engaged in providing the following services:

Blending chemicals services

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

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

Logistic services

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

Construction of chlorine dioxide plant for groundwater reservoirs

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

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

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

Contract balances

Contract assets

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Revenue from contracts with customers (continued)

Contract balances (continued)

Contract liabilities

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

3.4 Borrowing costs

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

3.5 Dividend distribution

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

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

3.6 Dividend income

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

3.7 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax

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

Zakat

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

3.8 Current versus non-current classification

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

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

The Group classifies all other assets as non-current.

A liability is current when:

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Current versus non-current classification (continued)

The Group classifies all other liabilities as non-current.

3.9 Property, plant and equipment

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

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

| | |
|--------------------------|--------------|
| ► Buildings | 5 – 20 years |
| ► Plant and machinery | 5 – 10 years |
| ► Furniture and fixtures | 1 – 3 years |
| ► Motor Vehicles | 5 – 10 years |

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

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

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

3.10 Leases

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

Group as a lessee

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

► *Right-of-use assets*

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

► *Lease liabilities*

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.10 Leases (continued)

► *Lease liabilities (continued)*

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

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

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

3.11 Impairment of non-financial assets

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

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

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

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

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

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

a) Financial assets at amortised cost (debt instruments)

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

b) Financial assets at fair value through OCI (debt instruments)

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

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

c) Financial assets designated at fair value through OCI (equity instruments)

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

i) *Financial assets (continued)*

Subsequent measurement (continued)

c) *Financial assets designated at fair value through OCI (equity instruments) (continued)*

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

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

d) *Financial assets at fair value through profit or loss*

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

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

i) *Financial assets (continued)*

Impairment of financial assets (continued)

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

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

ii) *Financial liabilities*

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

Loans and borrowings

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

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

Trade payables, contract liabilities and other payables

Trade payables, contract liabilities and other payables are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

iii) Offsetting of financial instruments

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

3.13 Inventories

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

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

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

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

3.14 Employees' end of service benefits

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

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

3.15 Provisions

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

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

3.16 Contingencies

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

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

3.17 Foreign currencies

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

Transactions and balances

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.17 Foreign currencies (continued)

Transactions and balances (continued)

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

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

Group companies

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

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

3.18 Events after the reporting period

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

3.19 Segment information

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Significant judgments

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

Revenue from contracts with customers involving sale of goods

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Significant judgments (continued)

Classification of financial assets

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

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

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

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

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

4.2 Estimates and assumptions

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

Determination of variable consideration

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

Useful lives of depreciable assets

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

Provision for impairment of inventories

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

Impairment of investment in an associate

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

Impairment of goodwill

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

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

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

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

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

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

Fair value measurement

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

Leases – Estimating the incremental borrowing rate

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 REVENUE FROM CONTRACTS WITH CUSTOMERS

5.1 Disaggregated revenue information

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

| | 2024 KD | 2023 KD |
|---|-------------------|-------------------|
| Types of goods or services | | |
| Sale of Chlor Alkali | 23,485,295 | 23,270,758 |
| Sale of industrial materials | 13,741,892 | 11,466,881 |
| Blending of chemicals services | - | 30,198 |
| Construction of chlorine dioxide plant for groundwater reservoirs | 518,644 | 232,105 |
| Logistic services | 154,925 | 125,517 |
| Total revenue from contracts with customers | 37,900,756 | 35,125,459 |
| Geographical markets | | |
| Kuwait | 24,081,017 | 21,725,597 |
| Other MENA | 10,476,723 | 11,777,542 |
| Asia | 201,944 | 90,126 |
| South America and North America | 453,098 | 115,700 |
| Others | 2,687,974 | 1,416,494 |
| Total revenue from contracts with customers | 37,900,756 | 35,125,459 |
| Timing of revenue recognition | | |
| Goods and services transferred at a point in time | 37,227,187 | 34,737,639 |
| Goods and services transferred over time | 673,569 | 387,820 |
| Total revenue from contracts with customers | 37,900,756 | 35,125,459 |

5.2 Contract balances

| | 2024 KD | 2023 KD |
|--------------------------------|------------|------------|
| Trade receivables (Note 13) | 9,980,687 | 10,745,510 |
| Contract assets (Note 13) | 394,573 | - |
| Contract liabilities (Note 20) | - | 124,071 |

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

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6 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

| | 2024 KD | 2023 KD |
|---|-------------------|-------------|
| <i>Included in cost of sales and services rendered:</i> | | |
| Staff costs | 2,601,519 | 2,537,461 |
| Depreciation of property, plant and equipment (Note 8) | 2,707,848 | 2,588,935 |
| Cost of inventories recognised as an expense (Note 12) | 13,753,604 | 13,196,559 |
| <i>Included in general and administrative expenses:</i> | | |
| Staff costs | 2,550,357 | 1,922,468 |
| Depreciation of property, plant and equipment (Note 8) | 162,654 | 87,306 |
| Depreciation of right-of-use assets (Note 9) | 187,006 | 248,228 |
| <i>Included in selling and distribution expenses:</i> | | |
| Staff costs | 503,523 | 514,931 |
| <i>Reconciliation of cost of sales and services rendered:</i> | | |
| Raw material as at 1 January | 746,837 | 520,046 |
| Purchases during the year | 14,575,458 | 12,812,334 |
| Raw materials as at 31 December (Note 12) | (941,025) | (746,837) |
| Cost of raw materials transferred to production during the year | 14,381,270 | 12,585,543 |
| Finished goods as at 1 January | 1,655,706 | 2,266,722 |
| Finished goods as at 31 December (Note 12) | (2,283,372) | (1,655,706) |
| Costs of inventories recognised as an expense during the year (Note 12) | 13,753,604 | 13,196,559 |
| Staff costs | 2,601,519 | 2,537,461 |
| Depreciation of property, plant and equipment | 2,707,848 | 2,588,935 |
| Other miscellaneous expenses | 5,899,186 | 4,165,172 |
| | 24,962,157 | 22,488,127 |

7 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

| | 2024 | 2023 |
|--|--------------------|-------------|
| Profit or the year (KD) | 8,562,037 | 8,065,008 |
| Weighted average number of shares outstanding during the year (shares) | 100,900,800 | 100,900,800 |
| Basic and diluted EPS (Fils) | 85.25 | 79.93 |

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

8 PROPERTY, PLANT AND EQUIPMENT

| | <i>Buildings*</i> | <i>Plant and machinery</i> | <i>Furniture and fixtures</i> | <i>Motor vehicles</i> | <i>Capital work in progress</i> | <i>Total</i> |
|-------------------------------------|--------------------------|-----------------------------------|--------------------------------------|------------------------------|--|---------------------|
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Cost: | | | | | | |
| At 1 January 2023 | 10,496,414 | 42,239,748 | 1,481,513 | 4,925,962 | 7,240,020 | 66,383,657 |
| Additions | - | 209 | - | 452,980 | 2,539,482 | 2,992,671 |
| Transfers | 205,018 | 2,466,613 | 243,625 | - | (2,915,256) | - |
| Disposals | - | - | - | (4,580) | - | (4,580) |
| Exchange differences | 3,637 | 9,406 | 161 | 937 | 226 | 14,367 |
| At 31 December 2023 | 10,705,069 | 44,715,976 | 1,725,299 | 5,375,299 | 6,864,472 | 69,386,115 |
| Additions | 26,719 | 107,261 | 190 | 40,623 | 3,334,558 | 3,509,351 |
| Transfers | 431,235 | 2,060,374 | 204,007 | 15,200 | (2,710,816) | - |
| Disposals | - | (6,240) | - | (6,779) | - | (13,019) |
| Exchange differences | 15,103 | 38,008 | 644 | 3,747 | 1,615 | 59,117 |
| At 31 December 2024 | 11,178,126 | 46,915,379 | 1,930,140 | 5,428,090 | 7,489,829 | 72,941,564 |
| Depreciation and impairment: | | | | | | |
| At 1 January 2023 | 9,562,877 | 32,749,423 | 1,421,150 | 4,583,766 | 3,438,662 | 51,755,878 |
| Depreciation charge for the year | 318,891 | 2,126,399 | 58,799 | 172,152 | - | 2,676,241 |
| Depreciation relating to disposals | - | - | - | (4,580) | - | (4,580) |
| Exchange differences | 3,130 | 8,047 | 160 | 937 | - | 12,274 |
| At 31 December 2023 | 9,884,898 | 34,883,869 | 1,480,109 | 4,752,275 | 3,438,662 | 54,439,813 |
| Depreciation charge for the year | 262,637 | 2,343,382 | 120,587 | 143,896 | - | 2,870,502 |
| Depreciation relating to disposals | - | (6,240) | - | (6,779) | - | (13,019) |
| Exchange differences | 13,181 | 33,568 | 643 | 3,747 | - | 51,139 |
| At 31 December 2024 | 10,160,716 | 37,254,579 | 1,601,339 | 4,893,139 | 3,438,662 | 57,348,435 |
| Net book value: | | | | | | |
| At 31 December 2024 | 1,017,410 | 9,660,800 | 328,801 | 534,951 | 4,051,167 | 15,593,129 |
| At 31 December 2023 | 820,171 | 9,832,107 | 245,190 | 623,024 | 3,425,810 | 14,946,302 |

* The Group has a certain building located in the State of Kuwait which is constructed on a leasehold land granted by the Public Authority for Industry (PAI). In 2021, the management of the Group had renewed the lease of this building for five years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | 2024 KD | 2023 KD |
|--|------------------------|------------------------|
| Cost of sales and services rendered (Note 6) | 2,707,848 | 2,588,935 |
| General and administrative expenses (Note 6) | 162,654 | 87,306 |
| | <hr/> 2,870,502 | <hr/> 2,676,241 |

9 LEASES

Group as a lessee

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

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

| | 2024 KD | 2023 KD |
|--------------------------------------|----------------------|----------------------|
| As at 1 January | 282,375 | 470,046 |
| Additions | 393,030 | 60,557 |
| Remeasurement of right-of-use assets | 23,377 | - |
| Derecognition of right-of-use assets | (3,990) | - |
| Depreciation expense | (187,006) | (248,228) |
| As at 31 December | <hr/> 507,786 | <hr/> 282,375 |

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

| | 2024 KD | 2023 KD |
|------------------------------------|----------------------|----------------------|
| As at 1 January | 300,548 | 493,725 |
| Additions | 393,030 | 60,557 |
| Remeasurement of lease liabilities | 23,377 | - |
| Derecognition of lease liabilities | (4,005) | - |
| Accretion of interest | 25,654 | 16,689 |
| Payments | (203,643) | (270,423) |
| As at 31 December | <hr/> 534,961 | <hr/> 300,548 |

| | 2024 KD | 2023 KD |
|-------------|------------|------------|
| Non-current | 445,271 | 272,268 |
| Current | 89,690 | 28,280 |

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is in the range of 3.75% to 5%.

The maturity analysis of lease liabilities is disclosed in Note 25.2.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

9 LEASES (continued)

Group as a lessee (continued)

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

| | 2024 KD | 2023 KD |
|--|------------------|------------------|
| Depreciation of right-of-use assets (included in general and administrative) | (187,006) | (248,228) |
| Interest on lease liabilities (included in finance costs) | (25,654) | (16,689) |
| Gain on derecognition of leases (included in other income) | (15) | - |
| Total amount recognised in the consolidated statement of profit or loss | (212,675) | (264,917) |

The Group had total cash outflows for leases of KD 203,643 in 2024 (KD 270,423 in 2023). The Group also had non-cash additions to right-of-use assets and lease liabilities of KD 393,030 in 2024 (KD 60,557 in 2023) and remeasurement of right-of-use assets and lease liabilities arising from lease modification of KD 23,377 in 2024 (KD Nil in 2023).

10 INVESTMENTS IN AN ASSOCIATE

The Group has 36.92% (2023: 36.92%) interest in Al Dorra Petroleum Services Company K.S.C. (Closed), an associate involved in providing integrated services in the oil and gas sector. The Group's interest in its associate is accounted for using the equity method. The above associate is a private entity that is not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

In the current year, the management considered that the fair value is unlikely to be materially different from the carrying value. The management reviewed the carrying values of its associates to determine whether any impairment has occurred and based on its analysis, accordingly, the management has not recorded impairment loss in the consolidated statement of profit or loss for the year (2023: KD Nil).

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

| Reconciliation to carrying amount | 2024 KD | 2023 KD |
|-----------------------------------|------------------|------------------|
| As at 1 January | 2,185,413 | 2,684,419 |
| Share of results | 340,043 | (499,006) |
| Share of other comprehensive loss | (184,600) | - |
| As at 31 December | 2,340,856 | 2,185,413 |

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10 INVESTMENTS IN AN ASSOCIATE (continued)

Summarised financial information for the associate

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

Summarised statement of financial position

| | 2024 KD | 2023 KD |
|---|---------------------|--------------|
| Current assets | 27,185,961 | 26,699,163 |
| Non-current assets | 11,711,526 | 12,219,798 |
| Current liabilities | (7,950,530) | (7,672,561) |
| Non-current liabilities | (11,353,997) | (12,199,241) |
| Non-controlling interests | (1,529,620) | (1,404,846) |
| Equity attributable to shareholders of the parent company of the associate | 18,063,340 | 17,642,313 |
| Group's share in equity 36.92% (2023: 36.92%) | 6,668,985 | 6,513,542 |
| Impairment | (4,328,129) | (4,328,129) |
| Group's carrying amount of the investment | 2,340,856 | 2,185,413 |

Summarised statement of profit or loss and other comprehensive income

| | 2024 KD | 2023 KD |
|--|---------------------|--------------|
| Income | 16,132,059 | 13,960,380 |
| Expenses | (14,822,331) | (15,018,969) |
| Non-controlling interests | (388,701) | (292,998) |
| Profit (loss) for the year attributable to shareholders of the parent company of the associate | 921,027 | (1,351,587) |
| Other comprehensive loss | (500,000) | - |
| Group's share of results for the year | 340,043 | (499,006) |
| Group's share of other comprehensive loss for the year | (184,600) | - |

The associate had contingent liabilities and commitments of KD 8,262,966 as at 31 December 2024 (2023: KD 12,553,494).

11 GOODWILL

Impairment test for goodwill

The Group performed its annual impairment test for goodwill in December 2024 and 2023. The recoverable amount of the goodwill has been determined based on a value in use calculation of the cash generating unit (CGU), using cash flow projections approved by senior management covering a five-year period. The pre-tax discount rate of 19.6% (2023: 19.2%) applied to cash flow projections beyond the five-year period are extrapolated using a terminal growth rate of 1.02% (2023: 1.63%). The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin.

As a result of this analysis, there is headroom of KD 4,640,706 (2023: KD 3,516,305) and management did not identify an impairment for this CGU.

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11 GOODWILL (continued)

Impairment test for goodwill (continued)

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

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

Annual revenue growth rate during the forecast period

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

Discount rates

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

Growth rate estimates

Assumptions are based on published industry research.

Sensitivity to changes in assumptions

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

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

12 INVENTORIES

| | 2024 | 2023 |
|---|------------------|-------------|
| | KD | KD |
| Finished goods and goods for resale (at lower of cost and net realisable value) | 2,283,372 | 1,655,706 |
| Raw materials (at cost) | 941,025 | 746,837 |
| Spare parts and consumables (at cost) | 1,062,728 | 875,755 |
| Total inventories at the lower of cost and net realisable value | 4,287,125 | 3,278,298 |

During 2024, KD 13,753,604 (2023: KD 13,196,559) was recognised as an expense for inventories carried at net realisable value. This is recognised in "cost of sales and services rendered" (Note 6).

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13 TRADE RECEIVABLES AND CONTRACT ASSETS

| | 2024 KD | 2023 KD |
|--|-------------------|------------|
| Trade receivables | 10,177,336 | 11,054,181 |
| Less: Allowance for expected credit losses | (196,649) | (308,671) |
| | <hr/> | <hr/> |
| | 9,980,687 | 10,745,510 |
| Contract assets | 394,573 | 461,119 |
| Less: Allowance for expected credit losses | - | (461,119) |
| | <hr/> | <hr/> |
| | 394,573 | - |
| | <hr/> | <hr/> |
| | 10,375,260 | 10,745,510 |
| | <hr/> | <hr/> |

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

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

| | 2024 KD | 2023 KD |
|--|----------------|------------|
| As at 1 January | 769,790 | 962,486 |
| Provision for (reversal of) expected credit losses | 72,895 | (46,294) |
| Write off | (646,036) | (146,402) |
| | <hr/> | <hr/> |
| As at 31 December | 196,649 | 769,790 |
| | <hr/> | <hr/> |

Note 25.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's trade receivables and contract assets.

14 PREPAYMENTS AND OTHER RECEIVABLES

| | 2024 KD | 2023 KD |
|------------------------|------------------|------------|
| Advances to suppliers | 1,190,033 | 1,301,761 |
| Prepayments | 480,332 | 386,450 |
| Retention receivable | 637,571 | 644,792 |
| Other receivables | 257,427 | 250,735 |
| | <hr/> | <hr/> |
| | 2,565,363 | 2,583,738 |
| | <hr/> | <hr/> |
| Represented by: | | |
| Non-current | 637,571 | 644,792 |
| Current | 1,927,792 | 1,938,946 |
| | <hr/> | <hr/> |
| | 2,565,363 | 2,583,738 |
| | <hr/> | <hr/> |

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

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

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15 CASH AND CASH EQUIVALENTS

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

| | 2024 KD | 2023 KD |
|--|------------------|------------|
| Cash on hand | 15,803 | 10,049 |
| Cash at banks | <u>2,888,695</u> | 2,918,785 |
| Cash and bank balances | 2,904,498 | 2,928,834 |
| Term deposits whose original maturity is within 3 months | <u>3,536,400</u> | 1,784,200 |
| Cash and cash equivalents | 6,440,898 | 4,713,034 |

Term deposits with original maturity within 3 months are placed with a local commercial bank and carry average interest rate ranging from 3.77% to 3.90% (2023: 4.00% to 4.10%) per annum.

The Group has bank overdraft facilities up to KD 2,250,000 (2023: KD 2,250,000) that is unsecured. Interest would be payable at the CBK discount rate plus 100 basis points (2023: CBK discount rate plus 100 basis points).

At 31 December 2024, the Group had available KD 2,250,000 (2023: KD 2,250,000) of undrawn committed borrowing facilities.

16 SHARE CAPITAL

| | <i>Number of shares</i> | | <i>Authorised, issued and fully paid</i> | |
|--|-------------------------|--------------------|--|-------------------|
| | 2024 KD | 2023 KD | 2024 KD | 2023 KD |
| Shares of 100 fils each (paid in cash) | <u>100,900,800</u> | <u>100,900,800</u> | <u>10,090,080</u> | <u>10,090,080</u> |

17 STATUTORY RESERVE

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

No transfer has been made to the statutory reserve during the current year as the reserve exceeds 50% of the issued share capital as at 31 December 2024.

18 VOLUNTARY RESERVE

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

No transfer has been made to the voluntary reserve during the current year as the reserve exceeds 50% of the issued share capital as at 31 December 2024.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

19 EMPLOYEES' END OF SERVICE BENEFITS

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

| | 2024 KD | 2023 KD |
|---------------------|------------|------------|
| As at 1 January | 2,096,996 | 2,086,228 |
| Charge for the year | 284,651 | 317,150 |
| Payments | (211,553) | (306,382) |
| | <hr/> | <hr/> |
| As at 31 December | 2,170,094 | 2,096,996 |
| | <hr/> | <hr/> |

20 TRADE PAYABLES, CONTRACT LIABILITIES AND OTHER PAYABLES

| | 2024 KD | 2023 KD |
|---------------------------------------|------------|------------|
| Trade payables | 1,558,876 | 1,835,285 |
| Accrued staff costs | 408,843 | 469,518 |
| Accrued staff bonus | 1,215,000 | 1,000,000 |
| KFAS payable* | 95,977 | 90,200 |
| Other taxes payable | 488,797 | 349,092 |
| Advances received from customers | 443,952 | 505,097 |
| Provisions on a performance guarantee | 497,500 | 497,500 |
| Contract liabilities ** | - | 124,071 |
| Dividends payable (Note 23) | 4,228 | 79,212 |
| Accrued directors' remuneration | 59,000 | 99,000 |
| Other payables | 694,455 | 740,215 |
| | <hr/> | <hr/> |
| | 5,466,628 | 5,789,190 |
| | <hr/> | <hr/> |

* The Group is subject to KFAS at the rate of 1% of taxable income calculated in accordance with tax regulations enforced in the State of Kuwait.

Movement in KFAS payable during the year are as follows:

| | 2024 KD | 2023 KD |
|-------------------------------|---------------|---------------|
| At the beginning of the year | 90,200 | 112,232 |
| Charged for the year | 91,450 | 90,200 |
| Paid during the year | (85,673) | (112,232) |
| | <hr/> | <hr/> |
| At the end of the year | 95,977 | 90,200 |
| | <hr/> | <hr/> |

** The decrease in contract liabilities in 2024 was mainly due to the satisfaction of performance obligations relating to a project in progress. Management has recognised the full amount included in contract liabilities as revenue in the current year.

Terms and conditions of the above financial liabilities:

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

For explanations on the Group's liquidity risk management processes, refer to Note 25.

21 COMMITMENTS AND CONTINGENCIES

21.1 Capital commitments

The Group has commitments in respect of future capital expenditure amounting to KD 1,267,905 (2023: KD 1,184,722) relating to ongoing projects under construction.

21.2 Legal contingency

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

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

- On 9 September 2021, the Parent Company filed a Burden of Proof (No. 904-2021) against MEW. The court referred the legal case to the experts' department to verify the elements of the lawsuit and submit their findings accordingly. During the prior year, the experts' department has submitted their report to court which affirms the Burden of Proof relating to the inventory in the project site. Accordingly, on 18 July 2023, the court has ruled to close the Burden of Proof case.
- On 17 October 2021, the Parent Company filed a substantive case (No. 2021/5035) to commence a legal action against MEW to preserve its financial and legal rights. The court has assigned an engineering expert committee to verify the elements of the lawsuit, estimate the progress of work executed by the Parent Company, verify the alleged breaches by either party along with its reasoning, and in case of MEW's default, provide a full financial estimate of the compensation which will be eligible for the Parent Company from MEW. On 26 January 2025, the Court of First Instance has ruled in favour of the Parent Company. The Court's verdict obliges MEW to settle amount of KD 855,807 to the Parent Company and to settle interest of 7% on this amount from the due date (i.e. 19 August 2021), and to handover all the electrical materials stored at the site to the Parent Company. Furthermore, the verdict obliges the Parent Company to settle amount of KD 257,950 to MEW which represents the total penalties imposed on the Parent Company. The final ruling and execution order are still pending as at the authorization date of the consolidated financial statements.

21.3 Other contingencies

At 31 December 2024, the Group's bankers had outstanding letter of guarantees and credits amounting to KD 7,453,578 (2023: KD 7,884,360) for the performance of certain contracts from which it is anticipated that no material liabilities will arise.

22 RELATED PARTY DISCLOSURES

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

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

Transactions with key management personnel

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

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22 RELATED PARTY DISCLOSURES (continued)

| | Transaction values for the year ended 31 December | | Balance outstanding as at 31 December | |
|--|---|------------|---------------------------------------|------------|
| | 2024 KD | 2023 KD | 2024 KD | 2023 KD |
| Salaries and other short-term benefits | 301,375 | 281,638 | 79,544 | 52,370 |
| Employees end of service benefits | 48,369 | 30,639 | 157,242 | 108,873 |
| | 349,744 | 312,277 | 236,786 | 161,243 |

The Board of Directors of the Parent Company at the meeting held on 13 March 2025 has proposed directors' remuneration of KD 56,000 for the year ended 31 December 2024 (2023: KD 96,000). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

The Board of Directors at the meeting held on 20 March 2024 proposed directors' remuneration of KD 96,000 for the year ended 31 December 2023. The remuneration was approved by the shareholders at the AGM held on 2 May 2024.

23 DISTRIBUTIONS MADE AND PROPOSED

| | 2024 KD | 2023 KD |
|--|------------------|------------|
| Cash dividends on ordinary shares declared and paid: | | |
| Final cash dividend for 2023: 50 fils per share (2022: 50 fils per share) | 5,045,040 | 5,045,040 |
| Proposed cash dividends on ordinary shares: | | |
| Proposed cash dividend for the 2024: 70 fils per share (2023: 50 fils per share) | 7,063,056 | 5,045,040 |

The proposed cash dividend for the year ended 31 December 2023 were approved by the shareholders of the Parent Company at the annual general meeting (AGM) on 2 May 2024 and subsequently distributed.

Proposed cash dividends on ordinary shares for 31 December 2024 are subject to the approval of the shareholders at the Annual General Assembly (AGM) and are not recognised as a liability as at 31 December.

Dividends payable as at 31 December 2024 amounted to KD 4,228 (2023: KD 79,212) and recorded within "Trade payables, contract liabilities and other payables" in the consolidated statement of financial position.

24 SEGMENT INFORMATION

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 SEGMENT INFORMATION (continued)

a) Segment revenue and results

The following tables present revenue and profit information of the Group's operating segments for the year ended 31 December 2024 and 2023, respectively:

| | 2024 KD | 2023 KD | 2024 KD | 2023 KD |
|----------------------------------|---|--------------------------|---|--------------------------|
| | <i>Revenue</i> | | <i>Results</i> | |
| Chlor Alkali | 23,515,695 | 24,049,396 | 8,962,614 | 9,353,724 |
| Petrochemical products | - | 30,198 | - | 20,375 |
| Trading | 15,588,099 | 13,126,685 | 3,850,600 | 3,239,368 |
| Logistics and transport | 2,807,060 | 2,388,735 | 7,507 | 12,856 |
| Industrial projects | 518,644 | 232,105 | 117,878 | 11,009 |
| Investments | - | - | 340,043 | (499,006) |
| Adjustments and eliminations | (4,528,742) | (4,701,660) | - | - |
| Consolidated | 37,900,756 | 35,125,459 | 13,278,642 | 12,138,326 |
| Commission income | | | 3,641 | 43,652 |
| Other income | | | 130,569 | 210,094 |
| Net foreign exchange differences | | | (11,554) | (37,523) |
| Finance costs | | | (34,544) | (40,799) |
| Other unallocated expenses | | | (4,764,717) | (4,248,742) |
| Profit for the year | | | 8,602,037 | 8,065,008 |
| | 2024 KD | 2023 KD | 2024 KD | 2023 KD |
| | <i>Purchases of property, plant and equipment</i> | | <i>Depreciation and impairment of property, plant and equipment</i> | |
| Chlor Alkali | 3,334,557 | 2,539,482 | 2,696,900 | 2,486,458 |
| Petrochemical products | - | - | 1,074 | 1,071 |
| Trading | 174,794 | 209 | 37,311 | 22,749 |
| Logistics and transport | - | 452,980 | 135,217 | 165,963 |
| 3,509,351 | 3,509,351 | 2,992,671 | 2,870,502 | 2,676,241 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

24 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2024 and 31 December 2023, respectively:

| | 2024 KD | 2023 KD |
|--|-------------------|-------------------|
| Segment assets | | |
| Chlor Alkali | 37,046,990 | 34,727,113 |
| Petrochemical products | 4,237 | 11,994 |
| Trading | 6,597,130 | 5,998,390 |
| Logistics and transport | 664,033 | 749,162 |
| Industrial projects | 394,573 | - |
| Investments | 2,340,856 | 2,185,413 |
| Total consolidated segment assets | 47,047,819 | 43,672,072 |

| | 2024 KD | 2023 KD |
|---|------------------|------------------|
| Segment liabilities | | |
| Chlor Alkali | 5,418,489 | 6,037,739 |
| Petrochemical Products | 2,000 | 2,000 |
| Trading | 2,410,093 | 1,662,914 |
| Logistics and transport | 336,873 | 280,798 |
| Industrial projects | - | 124,071 |
| Other unallocated amounts | 4,228 | 79,212 |
| Total consolidated segment liabilities | 8,171,683 | 8,186,734 |

c) Geographical segments

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

| | 2024 KD | 2023 KD |
|---|-------------------|-------------------|
| Kuwait | 28,057,412 | 25,648,619 |
| Other MENA | 11,029,070 | 12,556,180 |
| Asia | 201,944 | 90,126 |
| South America and North America | 453,098 | 115,700 |
| Others | 2,687,974 | 1,416,494 |
| Adjustments and eliminations | (4,528,742) | (4,701,660) |
| Total consolidated segment revenue | 37,900,756 | 35,125,459 |

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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As at and for the year ended 31 December 2024

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

25.1 Credit risk

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

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

| | 2024 KD | 2023 KD |
|----------------------|-------------------------|------------------|
| Bank balances | 2,888,695 | 2,918,785 |
| Term deposits | 3,536,400 | 1,784,200 |
| Trade receivables | 9,980,687 | 10,745,510 |
| Contract assets | 394,573 | - |
| Retention receivable | 637,571 | 644,792 |
| Other receivables | 257,427 | 250,735 |
| | <hr/> 17,695,353 | <hr/> 16,344,022 |

Bank balances and term deposit

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

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

Trade receivables and contract assets

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

At 31 December 2024, the Group had 7 customers (2023:7 customers) that owed it more than KD 250,000 each and accounted for approximately 37% (2023: 36%) of all the receivables and contract assets outstanding.

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

| | 2024 KD | 2023 KD |
|------------------------|-------------------------|------------------|
| Industry sector | | |
| Corporate | 5,580,271 | 4,342,067 |
| Government | 4,794,989 | 6,403,443 |
| | <hr/> 10,375,260 | <hr/> 10,745,510 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

Trade receivables and contract assets (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables and contract assets are written-off where there is no reasonable expectation of recovery. Trade receivables are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 13. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2024, 8% (2023: 5%) of the Group's trade receivables are covered by letters of credit and other forms of credit insurance. These credit enhancements obtained by the Group resulted in a decrease in the ECL of KD 31,905 as at 31 December 2024 (2023: KD 48,459).

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

| | Current KD | Days past due | | | Total KD |
|--|---------------|-------------------|--------------------|-----------------|-------------|
| | | 91-180 days KD | 181-360 days KD | >360 days KD | |
| At 31 December 2024 | | | | | |
| Expected credit loss rate | - | 4.52% | 8.13% | 6.26% | 1.86% |
| Estimated total gross carrying amount at default | 7,312,039 | 1,104,701 | 631,277 | 1,523,892 | 10,571,909 |
| Expected credit loss | - | 49,969 | 51,301 | 95,379 | 196,649 |
| At 31 December 2023 | | | | | |
| Expected credit loss rate | - | 5.91% | 8.42% | 27.98% | 6.68% |
| Estimated total gross carrying amount at default | 6,703,063 | 1,943,694 | 755,418 | 2,113,125 | 11,515,300 |
| Expected credit loss | - | 114,865 | 63,631 | 591,294 | 769,790 |

Retention receivable and other receivables

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

25.2 Liquidity risk

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

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

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 Liquidity risk (continued)

The Group maintains the following lines of credit as at 31 December 2024:

- ▶ Non-cash facilities of KD 15,250,000 for which the Group has utilised KD 7,453,578 as at 31 December 2024 (2023: KD 15,250,000).
- ▶ KD 2,250,000 overdraft facility that is unsecured. Interest is payable at the rate of CBK discount rate plus 100 basis points on any drawn amounts. The Group has not drawn any amounts under this facility at 31 December 2024.
- ▶ KD 12,000,000 murabaha facility provided by a local bank. Profit is payable at a rate of CBK discount rate plus 100 basis points on any drawn amounts. The Group has not drawn any amounts under this facility at 31 December 2024.
- ▶ KD 6,000,000 short term revolving loan facility provided by a local bank. Interest is payable at a rate of CBK discount rate plus 75 basis points on any drawn amounts. The Group has not drawn any amounts under this facility at 31 December 2024.
- ▶ KD 3,000,000 multicurrency short term loan facility provided by a local bank. Interest is payable at a rate of CBK discount rate plus 100 basis points on any drawn amounts in Kuwaiti Dinar and 175 basis point on any drawn amounts in foreign currencies. The Group has not drawn any amounts under this facility at 31 December 2024.

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

| <i>31 December 2024</i> | <i>Less than 3 months KD</i> | <i>3 to 12 months KD</i> | <i>More than 12 months KD</i> | <i>Total KD</i> |
|---|--------------------------------------|----------------------------------|---------------------------------------|-------------------------|
| Lease liabilities | 30,388 | 79,819 | 528,574 | 638,781 |
| Trade payables, contract liabilities and other payables * | 2,441,910 | 1,576,346 | 546,920 | 4,565,176 |
| | <u>2,472,298</u> | <u>1,656,165</u> | <u>1,075,494</u> | <u>5,203,957</u> |
| <i>31 December 2023</i> | <i>Less than 3 months KD</i> | <i>3 to 12 months KD</i> | <i>More than 12 months KD</i> | <i>Total KD</i> |
| Lease liabilities | 12,894 | 26,097 | 352,708 | 391,699 |
| Trade payables, contract liabilities and other payables * | 3,896,280 | 766,242 | - | 4,662,522 |
| | <u>3,909,174</u> | <u>792,339</u> | <u>352,708</u> | <u>5,054,221</u> |

* Excluding advances, provisions, and contract liabilities

25.3 Market risk

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

25.3.1 Interest rate risk

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

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

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3 Market risk (continued)

25.3.2 Foreign currency risk

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

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

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

| Currency | Liabilities | | Assets | |
|----------------------|-------------|------------|------------|------------|
| | 2024 KD | 2023 KD | 2024 KD | 2023 KD |
| US Dollar (USD) | 496,265 | 496,677 | 2,526,833 | 2,825,349 |
| Euro (EUR) | 52,045 | 42,095 | 93,490 | 73,146 |
| Emirati Dirham (AED) | 1,129,768 | 426,402 | 3,652,694 | 3,789,630 |
| British Pound (GBP) | 2,332 | 4,460 | 833 | 11,386 |

Foreign exchange rate sensitivity

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

| Currency | 2024 | | 2023 | |
|----------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Change in currency rate | Effect on results KD | Change in currency rate | Effect on results KD |
| USD | +5% | 101,528 | +5% | 116,434 |
| EUR | +5% | 2,072 | +5% | 1,553 |
| AED | +5% | 126,146 | +5% | 168,161 |
| GBP | +5% | (75) | +5% | 346 |

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

26 CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

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

The Group is not subject to externally imposed capital requirements.

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

26 CAPITAL MANAGEMENT (continued)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

27 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

Fair value hierarchy

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

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

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

Valuation methods and assumptions

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

Other financial assets and liabilities

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