Consolidated financial statements and independent auditor's report

Gulf Cables and Electrical Industries Group Company – KPSC

[Formerly: Gulf Cable and Electrical Industries Company – KPSC]

and Subsidiaries

Kuwait

31 December 2022

Contents

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Independent auditor's report

To the Shareholders of
Gulf Cables and Electrical Industries Group Company – KPSC
[Formerly: Gulf Cable and Electrical Industries Company – KPSC]
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Cables and Electrical Industries Group Company – KPSC [Formerly: Gulf Cable and Electrical Industries Company – KPSC] ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognizes revenue when it transfers control of a product to a customer. The Group follows a five-step process to recognize revenue as disclosed in the accounting policy related to revenue recognition (note 4.6). This is an area of audit focus as management assumptions are required to apply the revenue recognition criteria to each separately identifiable component of revenue. This can result in circumstances which require careful consideration to determine how revenue should be recognized.

Our audit procedures included testing the operating effectiveness of associated internal controls and performing substantive audit procedures. We also performed analytical reviews and reviewed management accounts to identify any material new revenue streams. Our testing procedures included reviewing customer contracts, checking delivery records and price lists, and checking that the recognition criteria of IFRS were met. We also assessed the adequacy of the Group's disclosures of its revenue recognition policy, the judgements involved and other related disclosures.

Revenue by segment is disclosed in Note 26.

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Independent Auditor's Report to the Shareholders of
Gulf Cables and Electrical Industries Group Company – KPSC
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(continued)

Impairment of investment in associates

The Group's investment in associates represents a significant part of the Group's total assets and are accounted for under the equity method of accounting and are considered for impairment in case of indication of impairment (refer notes 4.5 and 5.2.2). Under the equity method of accounting for associates, these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the share of the net assets of the associates less any impairment. Market value of some investment in associates has been below their respective carrying amounts for a sustained period, and therefore their current carrying amount continues to rely on the Group's significant judgement in determining their recoverable amount based on their value-in-use which is subject to estimation uncertainty and sensitivity. Therefore, we consider this a key audit matter.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators, the assessment of the Group's methodology and calculation of value-in-use. For associates where there were impairment indicators, we evaluated the reasonableness of estimates against most recent financial performance and considered the appropriateness of key inputs such as long-term growth rates used and the discount rate. Additionally, we considered whether the Group's disclosures of the application of judgement in estimating the recoverable amount and the sensitivity of the results of those estimates adequately reflect the risks associated with impairment of investment in associates. Refer Notes 13 to the consolidated financial statements for more information on investment in associates.

Valuation of unquoted investments

The Group's investments in unquoted investments classified as at fair value through other comprehensive income represent a significant part of the Group's total assets and categorized within Level 3 of the fair value hierarchy as disclosed in the Note 30 to the consolidated financial statements. The valuation of these investments is inherently subjective as it is primarily based either on external independent valuations or on entity-developed internal models and not on quoted prices in active markets or other observable inputs. Therefore, there is significant measurement uncertainty involved in those valuations. As a result, the valuation of those instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions.

Our audit procedures included agreeing carrying value of the unquoted investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information included in the Group's Annual Report for the year ended 31 December 2022

Management is responsible for the other information. Other information consists of the information included in the Group's annual Report for the year ended 31 December 2022, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independent Auditor's Report to the Shareholders of
Gulf Cables and Electrical Industries Group Company – KPSC
[Formerly: Gulf Cable and Electrical Industries Company – KPSC]
(continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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Independent Auditor's Report to the Shareholders of
Gulf Cables and Electrical Industries Group Company – KPSC
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(continued)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements
In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2022 that might had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton -- Al-Qatami, Al-Aiban & Partners

Kuwait
28 March 2023

Consolidated statement of profit or loss

	Note	**Year ended 31 Dec. 2022 KD**	Year ended 31 Dec. 2021 KD
Revenue			
Sales and contracting revenue		**102,496,345**	68,490,740
Cost of revenue		**(89,558,281)**	(54,929,195)
Gross profit		**12,938,064**	13,561,545
Change in fair value of investments at fair value through profit or loss		**(81,993)**	-
Gain on sale of investments at fair value through profit or loss		**85,629**	-
Dividend income		**6,763,284**	1,614,982
Other investments gain/(losses)		**22,559**	(19,563)
Share of results of associates and joint venture	13	**3,760,024**	411,251
Gain on bargain purchase of an associate	13.1	**-**	10,834,531
Interest and other income		**64,202**	39,669
Foreign currency exchange gain		**446,386**	201,756
		23,998,155	26,644,171
Expenses and other charges			
General and administrative expenses		**(4,531,221)**	(5,070,842)
Commercial expenses		**(2,656,219)**	(1,794,983)
Provision charge for obsolete and slow-moving inventories – net	15	**(1,809)**	(27,074)
Provision charge for doubtful debts – net	16	**(318,100)**	(1,810,016)
Provision charge for other receivables		**(57,900)**	(57,900)
Finance costs		**(1,991,275)**	(350,316)
		(9,556,524)	(9,111,131)
Profit before provision for taxation and Directors' remuneration		**14,441,631**	17,533,040
Provision for taxation	8	**(1,175,642)**	(1,100,947)
Directors' remuneration		**(305,000)**	(310,000)
Profit for the year	7	**12,960,989**	16,122,093
Profit for the year attributable to:			
Owners of the Parent Company		**12,948,313**	16,057,067
Non-controlling interests		**12,676**	65,026
Profit for the year		**12,960,989**	16,122,093
Basic and diluted earnings per share attributable to the owners of the Parent Company	10	**62 Fils**	77 Fils

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Profit for the year	**12,960,989**	16,122,093
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates	**26,852**	-
Exchange differences arising on translation of foreign operations	**109,619**	(39,667)
	136,471	(39,667)
Items that will not be reclassified subsequently to profit or loss:		
Share of other comprehensive income/(loss) of associates	**2,194,457**	(3,880)
Net change in fair value of investments at FVTOCI	**(812,487)**	35,705,606
	1,381,970	35,701,726
Total other comprehensive income	**1,518,441**	35,662,059
Total comprehensive income for the year	**14,479,430**	51,784,152
Total comprehensive income attributable to:		
Owners of the Parent Company	**14,460,725**	51,721,308
Non-controlling interests	**18,705**	62,844
	14,479,430	51,784,152

Consolidated statement of financial position

	Note	31 Dec. 2022 KD	31 Dec. 2021 KD
Assets			
Non-current assets			
Goodwill	11	**3,603,180**	3,603,180
Property, plant and equipment	12	**9,261,814**	9,771,992
Right-of-use assets		**468,675**	612,883
Investment in associates and joint venture	13	**89,122,225**	86,168,913
Investments at fair value through other comprehensive income	14	**108,310,881**	129,097,281
		210,766,775	229,254,249
Current assets			
Inventories	15	**37,385,413**	35,196,042
Trade accounts receivable	16	**31,100,230**	31,788,814
Other receivables and prepayments		**2,028,888**	1,134,062
Investments at fair value through profit or loss		**596,767**	-
Cash and cash equivalents	17	**8,694,999**	18,981,488
		79,806,297	87,100,406
Total assets		**290,573,072**	316,354,655
Equity and liabilities			
Equity			
Share capital	18	**20,993,131**	20,993,131
Share premium	18	**29,160,075**	29,160,075
Treasury shares	19	**(1,686,080)**	(575,724)
Statutory, voluntary and general reserves	20	**71,893,702**	70,459,281
Other components of equity	21	**65,297,391**	82,741,073
Retained earnings		**42,164,366**	24,227,964
Total equity attributable to the owners of the Parent Company		**227,822,585**	227,005,800
Non-controlling interests		**523,347**	504,642
Total equity		**228,345,932**	227,510,442
Non-current liabilities			
Provision for employees' end of service benefits		**4,597,596**	4,410,937
Term loans	22	**17,500,000**	26,334,495
Islamic financing facilities	23	**18,072,368**	38,000,000
Lease liabilities		**289,140**	428,888
		40,459,104	69,174,320
Current liabilities			
Trade accounts payable		**3,660,167**	2,038,235
Other payables and accruals	24	**8,937,217**	9,662,081
Lease liabilities		**151,416**	151,416
Term loans	22	**6,534,495**	5,818,161
Islamic financing facilities	23	**1,815,789**	2,000,000
Due to banks	17	**668,952**	-
		21,768,036	19,669,893
Total liabilities		**62,227,140**	88,844,213
Total equity and liabilities		**290,573,072**	316,354,655

Bader Naser Al-Kharafi
Vice chairman

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory, voluntary and general reserves KD	Other components of equity KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2022	**20,993,131**	**29,160,075**	**(575,724)**	**70,459,281**	**82,741,073**	**24,227,964**	**227,005,800**	**504,642**	**227,510,442**
Purchase of treasury shares	-	-	(1,110,356)	-	-	-	(1,110,356)	-	(1,110,356)
Cash dividend (note 25)	-	-	-	-	-	(12,533,584)	(12,533,584)	-	(12,533,584)
Transactions with owners	**-**	**-**	**(1,110,356)**	**-**	**-**	**(12,533,584)**	**(13,643,940)**	**-**	**(13,643,940)**
Profit for the year	-	-	-	-	-	12,948,313	12,948,313	12,676	12,960,989
Other comprehensive income	-	-	-	-	1,512,412	-	1,512,412	6,029	1,518,441
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,512,412**	**12,948,313**	**14,460,725**	**18,705**	**14,479,430**
Transfer to general reserve	**-**	**-**	**-**	**1,434,421**	**-**	**(1,434,421)**	**-**	**-**	**-**
Gain on sale of investments at FVTOCI	**-**	**-**	**-**	**-**	**(18,956,094)**	**18,956,094**	**-**	**-**	**-**
Balance at 31 December 2022	**20,993,131**	**29,160,075**	**(1,686,080)**	**71,893,702**	**65,297,391**	**42,164,366**	**227,822,585**	**523,347**	**228,345,932**

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory, voluntary and general reserves KD	Other components of equity KD	Retained earnings KD	Sub-total KD	KD	KD
Balance at 1 January 2021	20,993,131	29,160,075	(454,480)	68,740,454	47,981,962	19,437,247	185,858,389	441,798	186,300,187
Purchase of treasury shares	-	-	(121,244)	-	-	-	(121,244)	-	(121,244)
Cash dividend (note 25)	-	-	-	-	-	(10,452,653)	(10,452,653)	-	(10,452,653)
Transactions with owners	-	-	(121,244)	-	-	(10,452,653)	(10,573,897)	-	(10,573,897)
Profit for the year	-	-	-	-	-	16,057,067	16,057,067	65,026	16,122,093
Other comprehensive income/(loss)	-	-	-	-	35,664,241	-	35,664,241	(2,182)	35,662,059
Total comprehensive income for the year	-	-	-	-	35,664,241	16,057,067	51,721,308	62,844	51,784,152
Transfer to general reserve	-	-	-	1,718,827	-	(1,718,827)	-	-	-
Gain on sale of investments at FVTOCI	-	-	-	-	(905,130)	905,130	-	-	-
Balance at 31 December 2021	20,993,131	29,160,075	(575,724)	70,459,281	82,741,073	24,227,964	227,005,800	504,642	227,510,442

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
OPERATING ACTIVITIES			
Profit for the year		**12,960,989**	16,122,093
Adjustments:			
Depreciation		**1,625,574**	1,495,261
Finance costs		**1,991,275**	350,316
Interest income		**(9,042)**	(13,083)
Dividend income		**(6,763,284)**	(1,614,982)
Share of results of associates and joint venture		**(3,760,024)**	(411,251)
Gain on bargain purchase of an associate		**-**	(10,834,531)
Loss on sale/ disposal of property, plant and equipment		**3,128**	19,369
Provision charge for doubtful debts – net		**318,100**	1,810,016
Provision charge for other receivables		**57,900**	57,900
Provision charge for slow moving inventories – net		**1,809**	27,074
Provision charge for employees' end of service benefits		**457,508**	772,206
Foreign exchange gain on non-operating liabilities		**29,500**	-
		6,913,433	7,780,388
Changes in operating assets and liabilities:			
Inventories		**(2,191,180)**	6,096,569
Investments at fair value through profit or loss		**(596,767)**	-
Trade accounts receivable		**370,484**	(1,538,222)
Other receivables and prepayments		**(952,726)**	751,102
Trade accounts payable		**1,621,932**	133,194
Other payables and accruals		**(737,196)**	758,720
Employees' end of service benefits paid		**(270,849)**	(431,036)
Net cash from operating activities		**4,157,131**	13,550,715
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash and bank balances		**-**	(4,522,719)
Additions to/purchase of associates		**(5,087,601)**	(73,823,082)
Investment in joint venture		**(2,500,000)**	-
Additions to property, plant and equipment		**(975,374)**	(1,241,319)
Proceeds from sale of property, plant and equipment		**22,564**	26,509
Additions to/purchase of investments at FVTOCI		**(5,105,978)**	(1,471,957)
Proceeds from sale of investments at FVTOCI		**25,079,891**	4,751,610
Dividend income received		**6,763,284**	1,414,773
Dividend received from associates		**10,615,622**	-
Interest income received		**9,042**	13,083
Net cash from/(used in) investing activities		**28,821,450**	(74,853,102)
FINANCING ACTIVITIES			
Payment of cash dividend		**(12,459,168)**	(10,434,061)
Purchase of treasury shares		**(1,110,356)**	(121,244)
Net movement in term loans		**(8,147,661)**	25,081,300
Net movement in Islamic financing facilities		**(20,111,843)**	40,000,000
Finance costs paid		**(2,041,690)**	(291,009)
Payment of lease liabilities		**(151,416)**	(151,416)
Net cash (used in)/from financing activities		**(44,022,134)**	54,083,570
Decrease in cash and cash equivalents		**(11,043,553)**	(7,218,817)
Foreign currency adjustment		**88,112**	(38,514)
Cash and cash equivalents at beginning of the year	17	**18,981,488**	26,238,819
Cash and cash equivalents at end of the year	17	**8,026,047**	18,981,488

The notes set out on pages 11 to 52 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Gulf Cables and Electrical Industries Group Company – KPSC [Formerly: Gulf Cable and Electrical Industries Company – KPSC] ("the Parent Company") is a registered Kuwaiti Public Shareholding Company, which was established on 15 March 1975. The shares of the Parent Company are listed on Kuwait Stock Exchange.

The Group comprises the Parent Company and its subsidiaries. Details of the Group's subsidiaries are disclosed in Note 6.

The shareholders in their Extra-Ordinary General Assembly held on 18 October 2022 approved to change the name of the Parent Company from Gulf Cable and Electrical Industries Company – KPSC to Gulf Cables and Electrical Industries Group Company – KPSC, which was registered in the commercial register on 28 November 2022.

Pursuant to the decision of the Extra-Ordinary General Assembly held on 18 October 2022, the objectives of the Parent Company were amended, and the amendments were authenticated in the commercial register on 29 November 2022.

Objectives for which the Parent Company was incorporated are as follows:

1- Produce all kinds of electrical and telephone cables of various sizes and varieties;
2- Produce all kinds of electric and telephone wires of various sizes and varieties;
3- Produce the wires necessary for the production of light bulbs;
4- Produce light bulbs of all varieties and sizes after obtaining the necessary license from the Public Authority for Industry;
5- Manufacture electrical transformers, switches and distribution panels after obtaining the necessary license from the Public Authority for Industry;
6- Various manufacturing relating to power equipment and tools for industrial or household purposes after obtaining the necessary license from the Public Authority for Industry;
7- Produce all kinds of aluminum chips and nylon covering rolls of various sizes and varieties after obtaining the necessary license from the Public Authority for Industry;
8- Produce copper bars which are used in the production of electrical and telephone cables after obtaining the necessary license from the Public Authority for Industry;
9- Trade in all kinds of these products;
10- Import machinery, plant, equipment and tools necessary to achieve the Company's objectives;
11- Import the raw materials for this industry;
12- Invest the surplus funds in investment portfolios in order to serve the Company's objectives;
13. Owning real estate and movables for the benefit of the Company.
14- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti and non-Kuwaiti limited liability companies and participating in the establishment of, lending and managing of these companies and acting as guarantor for these companies.
15- Managing its subsidiaries or participating in the management of other companies in which it contributes and providing the necessary support for them.

The Parent Company may have interest or participate in any aspect in the authorities and companies which practice similar activities, or which may assist it in the achievement of its objectives in Kuwait and abroad. The Parent Company may also purchase these authorities and companies or affiliate them therewith.

The address of the Parent Company's registered office is PO Box 1196, Safat 13012, State of Kuwait.

These consolidated financial statements for the year ended 31 December 2022 were authorised for issue by the board of directors of the Parent Company on 28 March 2023 and are subject to the approval of the General Assembly of the shareholders.

Notes to the consolidated financial statements (continued)

2 Statement of compliance

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

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

The following new amendments or standards were effective for the current period.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

The adoption of the amendment did not have a significant impact on the Group's consolidated financial statements.

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

The adoption of the amendment did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

3.2 IASB Standards issued but not yet effective
At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of current and non-current	1 January 2024
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IFRS 16 Amendments- Leases	1 January 2024

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities depends only on the covenants that an entity is required to comply with on or before the reporting date of the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments - Classification of current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 8 Amendments – Definition of accounting estimates
The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 16 Amendments – Leases
The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

4.1 Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention except for investments at fair value through other comprehensive income which are measured at fair value.

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

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and the "statement of profit or loss and other comprehensive income".

4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.2 Basis of consolidation (continued)
Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

4.3 Business combinations
The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and 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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

4.5 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

The Group's investment in associates and joint ventures are accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate and joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate and joint venture arising from changes in the equity of the associate and joint venture. Changes in the Group's share in associate's/joint venture's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate or joint venture equal or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and joint venture.

Unrealised gains on transactions with an associate or joint venture are eliminated to the extent of the Group's share in the associate and joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates and joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The financial statements of the associate and joint venture are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.5 Investment in associates and joint ventures (continued)

Upon loss of significant influence over the associate and joint venture the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate and joint venture upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.6 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.6.1 Sale of goods

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.6 Revenue (continued)

4.6.2 Rending of services
The Group provides cleaning services relating to its customers. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced periodically in accordance with individual contracts as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

4.7 Interest income
Interest income is recognised on an accrual basis using the effective interest method.

4.8 Dividend income
Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

4.9 Operating expenses
Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

4.10 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.11 Taxation

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

4.11.2 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the shareholders of the Parent Company for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

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

Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior year is permitted.

4.11.4 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.12 Segment reporting

The Group has three operating segments: the cable manufacture, investment and rendering services segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.13 Property, plant and equipment

4.13.1 Land

Land held for use in production or administration is stated at cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

4.13.2 Buildings, vehicles and other equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment of value. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

- Buildings: 20 to 25 years
- Plant and machinery: 10 years
- Vehicles, furniture and equipment: 4 to 10 years
- Agriculture farm and related facilities: 5 to 10 years.

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

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss and other comprehensive income.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

4.14 Leases

The Group as a lessee

For any new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.14 Leases (continued)

The Group as a lessee (continued)
The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee
At lease commencement date, the Group recognises a right of use asset and a lease liability on the balance sheet measured as follows:

Right of use asset
The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use asset for impairment when such indicators exist.

Lease liability
At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

4.15 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.15 Impairment testing of goodwill and non-financial assets (continued)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.16 Financial instruments

4.16.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- 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 'pay and receive' 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 risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable tests/designation at initial recognition of a financial asset:

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

4.16.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise mainly of the following:

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, together with cash in portfolios and time deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less due to banks.

Trade accounts receivable and other financial assets

Trade accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "Other financial assets"

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.3 Subsequent measurement of financial assets (continued)

b) Financial assets at FVTOCI

The Group's financial assets at FVTOCI mainly comprise of investments in equity instruments which represent investments in equity shares of various companies and include both quoted and unquoted.

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value account within equity. The cumulative gain or loss is transferred to retained earnings on disposal within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

c) Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise investment in equity shares.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group always recognises lifetime ECL for trade receivables, and due from related parties balances. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.16.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include term loans, murabaha payables, ijara finance payable, trade payables, other payables and accruals.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.5 Classification and subsequent measurement of financial liabilities (continued)
The subsequent measurement of financial liabilities depends on their classification as follows:

a) Financial liabilities at amortized cost

Term loans
All borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Islamic financing facilities
Islamic financing facilities represent amount payable on deferred settlement basis for assets purchases under Islamic financing facilities arrangements. Islamic financing facilities are stated at the total amount payable, less deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking account of the borrowing rate attributable and the balance outstanding.

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

4.17 Trade and settlement date accounting
All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

4.19 Amortised cost of financial instruments
This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.20 Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.21 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the cost formula. For other items of inventory, cost is calculated using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.22 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' law and the Parent Company's articles of association.

General reserve comprises appropriations of current and prior period profits.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries into Kuwait Dinars.
- Cumulative changes in fair value– comprises gains and losses relating to the investments at fair value through other comprehensive income.
- Treasury shares reserve – comprises cumulative gains, net of any losses, arising on sale of treasury shares

Retained earnings includes all current and prior period retained profits/(losses). All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.23 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued, gains are recorded directly in "treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.24 Employees' end of service benefits

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

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

4.25 Foreign currency translation

4.25.1 Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

4.25.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.25.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On sale of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on sale.

4.26 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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 benefits is remote.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.27 Related party transactions
Related parties represent subsidiaries, associate, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

5 Significant management judgements and estimation uncertainty
The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

5.1.1 Business model assessment
The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.16). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Judgements in determining the timing of satisfaction of performance obligations
The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

5.1.3 Control assessment
When determining control, the management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.1.4 Significant influence
Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

5.2 Estimates uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1 Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the 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.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.2 Impairment of associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in associates and joint ventures, at each reporting date based on existence of any objective evidence that the investment in the associate and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

5.2.3 Impairment of assets with definite lives

At the financial position date, the Group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

5.2.4 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

5.2.5 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

5.2.6 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 technical obsolescence that may change the utility of certain software and equipment.

5.2.7 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Notes to the consolidated financial statements (continued)

6 Interests in subsidiaries

6.1 Composition of the Group

Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Effective ownership interests held by the Group at year end	
			31 Dec. 2022 %	31 Dec. 2021 %
Gulf Cable and Multi Industries Company – JSC	Jordan	Manufacture and supply of electrical cables and holding investments.	**94.5**	94.5
Care for Buildings and Cities Cleaning Contracting Company – WLL (6.3)	Kuwait	Cleaning services	**100**	100
Hawraa Regional General Trading & Contracting Co.- WLL ("Hawraa")	Kuwait	General Trading & Contracting	**97.3**	97.3
Sofer Real Estate Co. - SPC	Kuwait	Sale and purchase of land and properties	**100**	100

6.2 Subsidiaries with material non-controlling interests

Non-controlling interests of the above subsidiaries with an aggregate amount of KD523,347 (2021: KD504,642) are not individually material to the Group.

6.3 Acquisition of a subsidiary

On 27 June 2021, the Parent Company signed an agreement to acquire 99% share capital of Care for Buildings and Cities Cleaning Contracting Company - WLL ("Care") while the remaining 1% was acquired by one of the Group's subsidiaries. The effective date of acquisition was 1 January 2021. The acquisition had resulted in goodwill of KD3,603,180 (note 11).

The final Purchase Price Allocation was completed during the year and no adjustments were required to the goodwill.

6.4 Unconsolidated structural entities

The Group has no interests in unconsolidated structured entities.

7 Profit for the year

Profit for the year is stated after charging the following expenses:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Staff costs (a)	**10,502,229**	10,795,304
Depreciation (b)	**1,625,574**	1,495,261
Rent-operating leases	**97,640**	182,314

a) Staff costs is allocated as follows:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Cost of revenue	**6,198,416**	6,211,799
Expenses and other charges	**4,303,813**	4,583,505
	10,502,229	10,795,304

Notes to the consolidated financial statements (continued)

7 Profit for the year (continued)

b) Depreciation is allocated as follows:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Cost of revenue	1,247,341	1,115,807
Expenses and other charges	378,233	379,454
	1,625,574	1,495,261

8 Provision for taxation

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Taxation charged on overseas subsidiaries	84,745	279,744
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	105,797	167,770
Zakat	280,668	183,033
National Labour Support Tax (NLST)	704,432	470,400
	1,175,642	1,100,947

9 Net gain on financial assets and financial liabilities

Net gain on financial assets and financial liabilities, analysed by category, is as follows:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Financial assets at amortised cost:		
- Interest income	9,042	13,083
- Provision charge for doubtful debts – net	(318,100)	(1,810,016)
Financial assets at FVTOCI:		
- Recognised directly in other comprehensive income	(812,487)	35,705,606
- Recognised directly in profit or loss as dividend income	6,763,284	1,614,982
Financial assets at FVTPL:		
- Change in fair value	(81,993)	-
- Gain on sale	85,629	-
	5,645,375	35,523,655
Financial liabilities at amortised cost:		
- Finance costs	(1,991,275)	(350,316)
	3,654,100	35,173,339
Net gain/(loss) recognised in the consolidated statement of profit or loss	4,466,587	(532,267)
Net (loss)/gain recognised in the consolidated statement of profit or loss and other comprehensive income	(812,487)	35,705,606
	3,654,100	35,173,339

Notes to the consolidated financial statements (continued)

10 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by weighted average number of shares outstanding during the year after excluding treasury shares as follows:

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
Profit for the year attributable to the owners of the Parent Company - KD	**12,948,313**	16,057,067
Weighted average number of shares outstanding during the year (excluding treasury shares)	**208,507,185**	209,032,131
Basic and diluted earnings per share attributable to the owners of the Parent Company	**62 Fils**	77 Fils

11 Goodwill

The goodwill resulted from acquisition of "Care for Buildings and Cities Cleaning Contracting Company – WLL". Goodwill has been allocated to the entire subsidiary for impairment testing.

Impairment testing
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations

Key assumption	*Basis used to determine value to be assigned to key assumption*
Terminal growth rate	Anticipated terminal growth rate of 2.66%. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a terminal growth rate of 2.66%.
Discount rate	Discount rates of 9.72%. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

Notes to the consolidated financial statements (continued)

12 Property, plant and equipment

	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
31 December 2022							
Cost							
At 1 January 2022	1,544,115	10,158,119	29,451,057	7,615,244	423,714	754,588	49,946,837
Additions	-	25,845	86,652	220,187	1,030	641,660	975,374
Transfers from assets under construction	-	521,000	216,866	634,780	-	(1,372,646)	-
Disposals	-	-	-	(91,799)	-	-	(91,799)
Foreign currency adjustment	3,699	13,497	130,590	8,913	5,329	128	162,156
At 31 December 2022	1,547,814	10,718,461	29,885,165	8,387,325	430,073	23,730	50,992,568
Accumulated depreciation							
At 1 January 2022	-	7,803,489	27,680,842	4,658,141	32,373	-	40,174,845
Charge for the year	-	294,062	322,079	855,077	10,148	-	1,481,366
Relating to disposals	-	-	-	(66,107)	-	-	(66,107)
Foreign currency adjustment	-	6,955	125,606	7,878	211	-	140,650
At 31 December 2022	-	8,104,506	28,128,527	5,454,989	42,732	-	41,730,754
Net book value							
At 31 December 2022	1,547,814	2,613,955	1,756,638	2,932,336	387,341	23,730	9,261,814

Notes to the consolidated financial statements (continued)

12 Property, plant and equipment (continued)

	Land KD	Buildings KD	Plant and machinery KD	Vehicles, furniture and equipment KD	Agriculture farm and related facilities KD	Assets under construction KD	Total KD
31 December 2021							
Cost							
At 1 January 2021	1,544,843	9,832,153	29,441,634	4,180,354	420,478	9,701	45,429,163
Arising on acquisition of a subsidiary	-	300,000	-	3,081,257	-	-	3,381,257
Additions	-	-	35,148	397,412	4,275	804,484	1,241,319
Transfers from assets under construction	-	28,625	-	30,948	-	(59,573)	-
Disposals	-	-	-	(73,059)	-	-	(73,059)
Foreign currency adjustment	(728)	(2,659)	(25,725)	(1,668)	(1,039)	(24)	(31,843)
At 31 December 2021	1,544,115	10,158,119	29,451,057	7,615,244	423,714	754,588	49,946,837
Accumulated depreciation							
At 1 January 2021	-	7,516,044	27,399,019	3,330,729	22,701	-	38,268,493
Arising on acquisition of a subsidiary	-	10,803	-	566,315	-	-	577,118
Charge for the year	-	278,812	308,016	790,382	9,895	-	1,387,105
Relating to disposals	-	-	-	(27,181)	-	-	(27,181)
Foreign currency adjustment	-	(2,170)	(26,193)	(2,104)	(223)	-	(30,690)
At 31 December 2021	-	7,803,489	27,680,842	4,658,141	32,373	-	40,174,845
Net book value							
At 31 December 2021	1,544,115	2,354,630	1,770,215	2,957,103	391,341	754,588	9,771,992

12.1 The Parent Company's buildings are constructed on lands leased from the Public Authority for Industry on long-term leases for periods of 5 years renewable for similar period.

12.2 Assets under construction represent the cost incurred on construction of plant, machinery and equipment. During the current and previous year, certain machinery and equipment, which were completed and ready for their intended use, were capitalized in the appropriate categories.

Notes to the consolidated financial statements (continued)

13 Investment in associates and joint venture

	31 Dec. 2022 KD	31 Dec. 2021 KD
Investment in associates (13.1)	**86,634,171**	86,168,913
Investment in joint venture (13.2)	**2,488,054**	-
	89,122,225	86,168,913

13.1 Investment in associates

13.1.1 Details of the Group's associates are as follows:

Name of the associate	Country of incorporation and principal place of business	Principal activity	Effective interest held by the Group at the year end	
			31 Dec. 2022	31 Dec. 2021
Team Holding Company – KSC (Closed) - (Unquoted)	Kuwait	Financing and investment	**47.50%**	47.50%
National Investment Company – KPSC (Quoted) (a)	Kuwait	Financial services	**26.98%**	25.37%
Heavy Engineering Industries and Shipbuilding Company – KPSC (Quoted) (b)	Kuwait	Industrial	**28.33%**	28.33%

13.1.2 The movement in the carrying value of investment in associates during the year is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance as at 1 January	**86,168,913**	1,103,929
Additions during the year	**5,087,601**	84,657,613
Share of results of associates	**3,771,970**	411,251
Share of other comprehensive gain /(loss)	**2,221,309**	(3,880)
Dividends received	**(10,615,622)**	-
Balance as at 31 December	**86,634,171**	86,168,913

a) During December 2021, the Group acquired shares in National Investment Company – KPSC in a number of transactions which eventually resulted in obtaining significant influence on 26 December 2021. The acquisition resulted into a gain on bargain purchase of KD10,834,531 which was recognised in the consolidated statement of profit or loss for the prior year.

During the year, the Group acquired additional 1.58% in National Investment Company - KPSC for a total consideration of KD5,087,601.

b) During December 2021, the Group acquired shares in Heavy Engineering Industries and Shipbuilding Company – KPSC in a number of transactions which eventually resulted in obtaining significant influence on 6 December 2021. The acquisition resulted into a goodwill of KD10,430,101.

The final Purchase Price Allocation was completed during the year and no adjustments were required to the goodwill.

Notes to the consolidated financial statements (continued)

13 Investment in associates and joint venture (continued)

13.1 Investment in associates (continued)

13.1.3 Summarised financial information in respect the Group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate, if any.

	National Investment Company		*Heaving Engineering Industries and Shipbuilding Company*		*Team Holding Company*	
	31 Dec. 2022 KD	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
Summarised statement of financial position - 31 December						
Total assets	**270,951,000**	290,574,000	**176,591,538**	167,664,013	**3,309,894**	3,229,164
Total liabilities	**(53,962,000)**	(55,002,000)	**(105,873,068)**	(98,858,695)	**(648,635)**	(632,109)
Non-controlling interests	**(18,174,000)**	(18,794,000)	**(3,166)**	(2,854)	**(628)**	(592)
Equity attributable to the owners of the associate	**198,815,000**	216,778,000	**70,715,304**	68,802,464	**2,660,631**	2,596,463
Group's effective ownership interest	**26.98%**	25.37%	**28.33%**	28.33%	**47.50%**	47.50%
Group's share of net assets of the associate	**53,633,637**	54,987,064	**20,036,325**	19,494,346	**1,263,800**	1,233,320
Goodwill	**1,211,861**	-	**10,430,101**	10,430,101	**-**	-
Other adjustments	**34,365**	-	**24,082**	24,082	**-**	-
Carrying value of Group's ownership interest	**54,879,863**	54,987,064	**30,490,508**	29,948,529	**1,263,800**	1,233,320
Fair value of the Group's interest in the quoted associates	**50,957,311**	44,321,789	**31,152,243**	25,841,041	**-**	-
Summarised statement of profit or loss – year ended 31 December						
Revenue for the year/period	**19,931,000**	-	**123,704,336**	11,628,360	**2,378,836**	2,408,932
Profit for the year/period	**9,169,000**	-	**5,627,525**	994,785	**78,744**	272,403
Total comprehensive income for the year/period	**18,638,000**	-	**5,517,982**	981,092	**78,744**	272,403
Dividends received from the associate during the year/period	**9,594,237**	-	**1,021,385**	-	**-**	-
Share of contingent liabilities	**72,221**	37,795	**25,822,705**	21,140,794	**283,546**	366,354

a) As at 31 December 2022, the fair value of the Group's investments in National Investment Company (based on quoted market prices) was KD50,957,311 which is below the carrying at that date. Management assessed the recoverable amount of the associate which was in excess of its carrying value and, accordingly, no impairment was required against this investment.

Notes to the consolidated financial statements (continued)

13 Investment in associates and joint venture (continued)

13.2 Investment in joint venture

During the year, the Parent Company participated in establishment of a company in Kuwait "Gulf and Riyadh Electric Wires, Cables and Electronics Manufacturing Company – WLL" having a total share capital of KD5,000,000 in which the Parent Company has 50% ownership. The joint venture's main objective is manufacturing of electric and electronic wires and cables. The movement in the carrying amount of the investment in the joint venture is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Additions during the year	**2,500,000**	-
Share of results for the year	**(11,946)**	-
	2,488,054	-

14 Investments at fair value through other comprehensive income

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted securities held through managed portfolios (14.1)	**54,481,729**	64,816,226
Local unquoted securities held through managed portfolios	**1,082,047**	4,705,721
Foreign quoted securities held through managed portfolios and others	**233,033**	18,507,697
Foreign unquoted securities held through managed portfolios	**2,681,623**	2,698,145
Foreign unquoted securities	**44,808,901**	33,180,532
Local managed funds	**5,023,548**	5,188,960
	108,310,881	129,097,281

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local	**60,587,324**	74,710,907
Foreign	**47,723,557**	54,386,374
	108,310,881	129,097,281

The movement of the investments at fair value through other comprehensive income during the year is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Opening balance	**129,097,281**	96,671,328
Additions	**5,105,978**	1,471,957
Disposals	**(25,079,891)**	(4,751,610)
Net change in fair value arising during the year	**(812,487)**	35,705,606
	108,310,881	129,097,281

Notes to the consolidated financial statements (continued)

14 Investments at fair value through other comprehensive income (continued)

14.1 The Group’s investments in local quoted securities include an investment in a local listed company having a market value of KD59,355,352 based on the quoted bid price as at 31 December 2022. Due to the restrictions on sale of this investment until February 2024, the Group has applied a discount of 20% amounting to KD11,871,071 on the above quoted bid price when determining its fair value. As a result of this discount, the fair value of the investment as at 31 December 2022 amounted to KD47,484,281.

14.2 These investments are held in equity instruments for medium to long term strategic objectives. Accordingly, the management has chosen to identify these investments in equity instruments as investments at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these investments in the consolidated statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

14.3 Local managed funds include investments in units of equity investments. Fair value of these investments is determined using net asset values reported by the investment managers and the management believes that this represent the best estimate of fair value available for these investments.

15 Inventories

	31 Dec. 2022 KD	31 Dec. 2021 KD
Raw materials	**9,426,021**	12,555,910
Finished goods	**16,988,588**	14,464,460
Work in progress	**8,776,645**	6,022,803
Spare parts	**2,997,413**	2,838,692
	38,188,667	35,881,865
Less: provision for obsolete and slow-moving inventories	**(1,098,568)**	(1,094,184)
	37,090,099	34,787,681
Goods in transit and prepaid letters of credit	**295,314**	408,361
	37,385,413	35,196,042

As at 31 December, the movement in the provision for obsolete and slow-moving inventories is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at 1 January	**1,094,184**	1,067,407
Charge for the year	**55,786**	97,934
Reversal of provision no longer required	**(53,977)**	(70,860)
Foreign currency adjustment	**2,575**	(297)
Balance at 31 December	**1,098,568**	1,094,184

Notes to the consolidated financial statements (continued)

16 Trade accounts receivable

	31 Dec. 2022 KD	31 Dec. 2021 KD
Trade accounts receivable	**39,668,855**	40,029,573
Less: provision for doubtful debts	**(8,568,625)**	(8,240,759)
	31,100,230	31,788,814

Trade receivables are non-interest bearing.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

16.1 The expected credit loss for the trade accounts receivable at 31 December 2022 and 31 December 2021 was determined as follows:

	Current KD	More than 30 Days KD	More than 90 Days KD	More than 180 Days KD	More than a year KD	Total KD
31 December 2022:						
Total carrying amount	**6,615,775**	**9,488,219**	**1,938,955**	**6,054,208**	**15,571,698**	**39,668,855**
Less: Provision for doubtful debts	**(49,889)**	**(103,910)**	**(190,106)**	**(130,251)**	**(8,094,469)**	**(8,568,625)**
Total trade accounts receivables	**6,565,886**	**9,384,309**	**1,748,849**	**5,923,957**	**7,477,229**	**31,100,230**
31 December 2021:						
Total carrying amount	7,534,410	5,748,654	2,629,001	4,364,765	19,752,743	40,029,573
Less: Provision for doubtful debts	(15,945)	(93,912)	(197,195)	(592,189)	(7,341,518)	(8,240,759)
Total trade accounts receivables	7,518,465	5,654,742	2,431,806	3,772,576	12,411,225	31,788,814

The movement of the provision for doubtful debts during the year is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at 1 January	**8,240,759**	6,217,043
Related to acquisition of a subsidiary	**-**	215,847
Charge for the year	**491,381**	1,919,595
Reversal of provision no longer required	**(173,281)**	(109,579)
Foreign currency adjustment	**9,766**	(2,147)
Balance at 31 December	**8,568,625**	8,240,759

Notes to the consolidated financial statements (continued)

17 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise the following accounts:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Cash in hand	**150,313**	99,333
Cash held in managed portfolios	**247,710**	6,283,865
Bank balances	**8,129,767**	12,598,290
Time deposit issued with original maturity not exceeding three months	**167,209**	-
Cash and cash equivalents for the purpose of consolidated statement of financial position	**8,694,999**	18,981,488
Less: due to banks	**(668,952)**	-
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**8,026,047**	18,981,488

Due to banks represent overdraft facilities carrying commercial interest rates and are payable on demand.

18 Share capital and share premium

As of 31 December 2022, authorized, issued and fully paid share capital in cash of the Parent Company comprised of 209,931,309 shares of 100 Fils each (31 December 2021: 209,931,309 shares of 100 Fils).

Share premium is not available for distribution.

19 Treasury shares

	31 Dec. 2022	31 Dec. 2021
Number of shares	**1,866,702**	1,000,000
Percentage of issued shares	**0.89%**	0.48%
Cost of treasury shares (KD)	**1,686,080**	575,724
Market value (KD)	**2,202,708**	871,000

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

20 Statutory, voluntary and general reserves

	31 Dec. 2022 KD	31 Dec. 2021 KD
Statutory reserve	**20,993,131**	20,993,131
Voluntary reserve	**20,993,131**	20,993,131
General reserve	**29,907,440**	28,473,019
Balance at 31 December	**71,893,702**	70,459,281

Statutory reserve

The Companies Law and the Parent Company's articles of association require that 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration to be transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital.

Distribution of statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Notes to the consolidated financial statements (continued)

20 Statutory, voluntary and general reserves (continued)

Voluntary and general reserves

According to the Parent Company's articles of association, 10% of the profit for the year attributable to the owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is transferred to the voluntary reserve at the discretion of the board of directors' subject to the approval of the general assembly.

The board of directors proposed to transfer an amount of KD1,434,421 (2021: KD1,718,827) to the general reserve.

There are no restrictions on distribution of voluntary and general reserves.

21 Other components of equity

	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Treasury shares reserve KD	Other reserves KD	Total KD
Balance at 1 January 2022	**82,195,031**	**468,154**	**77,888**	**-**	**82,741,073**
Group's share in associates' reserves	**2,182,365**	**26,852**	**-**	**12,092**	**2,221,309**
Exchange differences arising on translation of foreign operations	**-**	**103,590**	**-**	**-**	**103,590**
Change in fair value of investments at FVTOCI	**(812,487)**	**-**	**-**	**-**	**(812,487)**
Other comprehensive income for the year	**1,369,878**	**130,442**	**-**	**12,092**	**1,512,412**
Gain on sale of investments at FVTOCI	**(18,956,094)**	**-**	**-**	**-**	**(18,956,094)**
Balance at 31 December 2022	**64,608,815**	**598,596**	**77,888**	**12,092**	**65,297,391**
Balance at 1 January 2021	47,398,435	505,639	77,888	**-**	47,981,962
Group's share in associates' reserves	(3,880)	-	-	**-**	(3,880)
Exchange differences arising on translation of foreign operations	-	(37,485)	-	**-**	(37,485)
Change in fair value of investments at FVTOCI	35,705,606	-	-	**-**	35,705,606
Other comprehensive income/(loss) for the year	35,701,726	(37,485)	-	**-**	35,664,241
Gain on sale of investments at FVTOCI	(905,130)	-	-	**-**	(905,130)
Balance at 31 December 2021	82,195,031	468,154	77,888	**-**	82,741,073

22 Term loans

	31 Dec. 2022 KD	31 Dec. 2021 KD
Short term loan (22.1)	**200,000**	-
Long term loans (22.2)	**23,834,495**	32,152,656
	24,034,495	32,152,656
Due within one year	**6,534,495**	5,818,161
Due after one year	**17,500,000**	26,334,495
	24,034,495	32,152,656

Notes to the consolidated financial statements (continued)

22 Term loans

22.1 Short-term loan amounting to KD200,000 (31 December 2021: Nil) is repayable on 15 April 2023.

22.2 Long term loans represent the following:

- A long-term loan amounting to KD22,500,000 (31 December 2021: KD30,000,000) repayable in 9 semi-annual installments of KD2,500,000 each ending on 20 December 2026.

- A long-term loan amounting to KD1,334,495 (31 December 2021: KD2,152,656) repayable on various dates ending 31 December 2023.

The above loans denominated in Kuwaiti Dinar are unsecured and carry commercial interest rates.

23 Islamic financing facilities

	31 Dec. 2022 KD	31 Dec. 2021 KD
Murabaha payable (23.1)	**19,888,157**	10,000,000
Wakala payable (23.2)	**-**	30,000,000
	19,888,157	40,000,000
Due within one year	**1,815,789**	2,000,000
Due after one year	**18,072,368**	38,000,000
	19,888,157	40,000,000

23.1 Murabaha payable is unsecured and repayable in 15 quarterly installments of KD453,947 with final repayment of KD13,078,952 on 31 December 2026.

23.2 Wakala payable was secured against certain shares of an associate with a carrying value KD43,203,842 as at 31 December 2021. The wakala payable was fully repaid during the year.

The above Islamic facilities are denominated in Kuwaiti Dinar and carry commercial profit rates.

24 Other payables and accruals

	31 Dec. 2022 KD	31 Dec. 2021 KD
Provision for taxation	**1,258,667**	1,106,590
Provision for Board of Directors' remuneration	**305,000**	310,000
Uncollected dividends	**2,452,812**	2,378,396
Accrued staff dues	**2,372,533**	3,055,634
Other liabilities	**2,548,205**	2,811,461
	8,937,217	9,662,081

Notes to the consolidated financial statements (continued)

25 General assembly of shareholders and dividends distribution

The board of directors of the Parent Company proposed to distribute cash dividend to the shareholders equivalent to 60 Fils per share for the year ended 31 December 2022 and an amount of KD305,000 as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2022.

The Annual General Assembly of the shareholders held on 27 April 2022 approved the consolidated financial statements of the Group for the year ended 31 December 2021 and cash dividend of 60% equivalent to 60 Fils per share of the paid-up share capital amounting to KD12,533,584 for the year ended 31 December 2021.

Further, the shareholders approved the board of directors' remuneration of KD310,000 for the year ended 31 December 2021.

26 Segmental information

The Group activities are concentrated in three main segments: cable manufacture, investment and rendering services. The segments' results are reported to the senior management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

Geographical information of revenue:

	Kuwait KD	Middle East KD	Total KD
31 December 2022			
Total revenue	**83,482,462**	**29,563,386**	**113,045,848**
31 December 2021			
Total revenue	62,963,800	18,368,141	81,331,941

The following is the segments information, which conforms with the internal reporting presented to management:

	Cable manufacture KD	Investment KD	Rendering services KD	Total KD
31 December 2022:				
Total revenue	**99,325,623**	**10,549,503**	**3,170,722**	**113,045,848**
Segment profit/(loss)	**6,828,366**	**8,391,167**	**(777,902)**	**14,441,631**
Unallocated expenses				**(1,480,642)**
Profit for the year				**12,960,989**
Additions to property, plant and equipment	**921,320**	**-**	**54,054**	**975,374**
Depreciation	**(1,125,536)**	**-**	**(500,038)**	**(1,625,574)**
Finance costs	**(11,846)**	**(1,883,612)**	**(95,817)**	**(1,991,275)**
Dividend income	**-**	**6,763,284**	**-**	**6,763,284**
Total assets	**86,088,564**	**197,741,030**	**6,743,478**	**290,573,072**
Total liabilities	**(17,050,606)**	**(42,424,476)**	**(2,752,058)**	**(62,227,140)**
Net assets	**69,037,958**	**155,316,554**	**3,991,420**	**228,345,932**

Notes to the consolidated financial statements (continued)

26 Segmental information (continued)

	Cable manufacture KD	Investment KD	Rendering services KD	Total KD
31 December 2021:				
Total revenue	65,445,836	12,841,201	3,044,904	81,331,941
Segment profit/(loss)	6,901,376	12,583,286	(1,951,622)	17,533,040
Unallocated expenses				(1,410,947)
Profit for the year				16,122,093
Additions to property, plant and equipment	1,211,744	-	29,575	1,241,319
Depreciation	(990,718)	-	(504,543)	(1,495,261)
Finance costs	(10,681)	(127,384)	(212,251)	(350,316)
Dividend income	-	1,614,982	-	1,614,982
Total assets	87,195,937	221,786,586	7,372,132	316,354,655
Total liabilities	(16,149,062)	(70,039,518)	(2,655,633)	(88,844,213)
Net assets	71,046,875	151,747,068	4,716,499	227,510,442

27 Related party balances and transactions

Related parties represent subsidiaries, associate, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note. Details of balances and transactions between the Group and its other related parties are disclosed below.

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balances included in consolidated statement of financial position		
Due from a joint venture – included within other receivables and prepayments	**23,896**	-
Trade accounts payable	**16,528**	18,716
Purchase of property, plant and equipment	**53,400**	175,300

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Amounts included in consolidated statement of profit or loss		
Sales	**54,583**	51,832
Expenses	**(206,505)**	(47,158)
Key management compensation:		
Salaries and other short-term benefits	**604,719**	649,845
End of service benefits	**59,594**	164,446
Provision for directors' remuneration	**305,000**	310,000
	969,313	1,124,291

Notes to the consolidated financial statements (continued)

28 Capital commitments and contingent liabilities

Capital commitments at 31 December 2022 in respect of contracted capital expenditure amounted to Nil (31 December 2021: KD574,900).

Contingent liabilities at 31 December 2022 in respect of outstanding letters of guarantee amounted to KD11,185,515 (31 December 2021: KD6,997,181).

29 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest and profit rate risk and price risk), credit risk and liquidity risk.

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed are described below.

29.1 Market risk

a) Foreign currency risk

The Group mainly operates in the GCC and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Bahrain Dinar and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchange contracts, if required, are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group had the following net significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Bahraini Dinar	**259,948**	389,789
US Dollar	**3,244,412**	(44,529)

The foreign currency sensitivity is determined based on 2% (31 December 2021: 2%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

a) Foreign currency risk (continued)

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity, then this would have the following impact on the profit for the year. There is no direct impact on the Group's equity.

	Profit for the year	
	31 Dec. 2022 KD	31 Dec. 2021 KD
Bahraini Dinar	**(5,199)**	(7,796)
US Dollar	**(64,888)**	891
	(70,087)	(6,905)

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity, then impact on the Group's profit for the year would have been equal and opposite to the above. Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Interest and profit rate risk

Interest and profit rate risk arises from the possibility that changes in interest and profit rates will affect future profitability or the fair values of financial instruments. The Group has no significant interest-bearing assets other than bank balances, loans and Islamic financing facilities which are both at fixed rate and floating interest rate. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The board monitors the interest rate risk by setting limits.

Positions are monitored on a regular basis and hedging strategies are used, if required, to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +1% and –1% (31 December 2021: +1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no direct impact on the Group's equity:

	31 Dec. 2022		31 Dec. 2021	
	+1% KD	**-1% KD**	+1% KD	-1% KD
Profit for the year	**(387,255)**	**387,255**	(608,825)	608,825

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through other comprehensive and investments at fair value through profit or loss.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

c) Price risk (continued)

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The sensitivity analysis below has been determined based on the exposure to equity price risks individually at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The price risk sensitivity is determined at the rate of 2% on the exposure to equity price risks at the reporting date. If equity prices had been higher by 2%, the effect on the profit for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

A positive number below indicates an increase in profit/equity, where the equity prices increase by the above-mentioned percentages.

	Profit for the year		**Other comprehensive income**	
	31 Dec. 2022 KD	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
Investments at fair value through profit or loss	**11,935**	-	**-**	-
Investments at fair value through other comprehensive income	**-**	-	**2,166,218**	2,581,946
	11,935	-	**2,166,218**	2,581,946

If there was a negative change in equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions (2%), there would be an equal and opposite impact on the profit and other comprehensive income for the year, and the balances shown above would be negative.

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Investments at fair value through other comprehensive income	**108,310,881**	129,097,281
Investments at fair value through profit or loss	**596,767**	-
Trade accounts receivable	**31,100,230**	31,788,814
Other financial assets	**1,341,120**	807,005
Cash and cash equivalents (note 17)	**8,544,686**	18,882,155
	149,893,684	180,575,255

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.2 Credit risk (continued)

Bank balances are maintained with high credit quality financial institutions. Trade accounts receivable were presented after deducting provision for doubtful debts. Management believes the net balances are neither past due nor impaired.

29.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Group's contractual maturity profile of financial liabilities based on undiscounted cash flows is as follows:

	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2022:					
Liabilities					
Provision for employees' end of service benefits	**-**	**-**	**-**	**4,597,596**	**4,597,596**
Trade accounts payable	**-**	**3,660,167**	**-**	**-**	**3,660,167**
Other payables and accruals	**1,109,396**	**2,764,312**	**5,063,509**	**-**	**8,937,217**
Lease liabilities	**-**	**154,119**	**-**	**300,129**	**454,248**
Term loans	**55,667**	**164,530**	**7,271,129**	**20,193,945**	**27,685,271**
Islamic financing facilities	**-**	**669,720**	**1,984,132**	**20,442,672**	**23,096,524**
Due to banks	**668,952**	**-**	**-**	**-**	**668,952**
	1,834,015	**7,412,848**	**14,318,770**	**45,534,342**	**69,099,975**
31 December 2021:					
Liabilities					
Provision for employees' end of service benefits	-	-	-	4,410,937	4,410,937
Trade accounts payable	-	2,038,235	-	-	2,038,235
Other payables and accruals	1,534,213	2,559,908	5,567,960	-	9,662,081
Lease liabilities	-	165,657	-	450,688	616,345
Term loans	262,449	177,279	6,101,854	29,431,611	35,973,193
Islamic financing facilities	-	178,918	2,865,162	42,275,000	45,319,080
	1,796,662	5,119,997	14,534,976	76,568,236	98,019,871

30 Fair value measurement

30.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec 2022 KD	31 Dec 2021 KD
Financial assets:		
At amortised cost:		
- Trade accounts receivable	**31,100,230**	31,788,814
- Other financial assets	**1,341,120**	807,005
- Cash and cash equivalents	**8,694,999**	18,981,488
At fair value:		
- Investments at FVTPL	**596,767**	-
- Investments at FVTOCI	**108,310,881**	129,097,281
	150,043,997	180,674,588
Financial liabilities:		
At amortised cost:		
- Trade accounts payable	**3,660,167**	2,038,235
- Other payables and accruals	**8,937,217**	9,662,081
- Lease liabilities	**440,556**	580,304
- Term loans	**24,034,495**	32,152,656
- Islamic financing facilities	**19,888,157**	40,000,000
- Due to banks	**668,952**	-
	57,629,544	84,433,276

Management considers that the carrying amounts of financial assets and all financial liabilities, which are stated at amortized cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value on a recurring basis in the consolidated financial position are grouped into the fair value hierarchy as follows:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2022				
Investments at FVTPL:				
Quoted equity securities	**596,767**	**-**	**-**	**596,767**
Investments at FVTOCI:				
Quoted equity securities	**7,230,481**	**47,484,281**	**-**	**54,714,762**
Unquoted equity securities	**-**	**-**	**48,572,571**	**48,572,571**
Managed funds	**-**	**5,023,548**	**-**	**5,023,548**
	7,827,248	**52,507,829**	**48,572,571**	**108,907,648**

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2021				
Investments at FVTOCI:				
Quoted equity securities	83,323,923	-	-	83,323,923
Unquoted equity securities	-	-	40,584,398	40,584,398
Managed funds	-	5,188,960	-	5,188,960
	83,323,923	5,188,960	40,584,398	129,097,281

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period, except for shares with a carrying value of KD47,484,281 classified under level "2" fair value hierarchy which were classified under level "1" hierarchy as at 31 December 2021 for the reasons mentioned in note 14.

a) Quoted securities

The underlying quoted investments in the managed portfolios primarily comprise of local and foreign quoted securities whose fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

Unlisted securities are measured at fair value estimated using adjusted net book value and other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds

Investment funds managed by others mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

Level 3 fair value measurements

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Opening balance	**40,584,398**	41,222,912
Disposals	**(6,203,369)**	(2,900,238)
Change in fair value	**14,191,542**	2,261,724
Closing balance	**48,572,571**	40,584,398

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the reporting date.

The investment managers and Group's finance team in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. In determining fair value, techniques such as recent transactions prices and adjusted net book value have been used.

The impact on consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

31 Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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

The capital structure of the Group consists of the following:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Term loans and Islamic financing facilities	**43,922,652**	72,152,656
Less: Cash and cash equivalents (note 17)	**(8,026,047)**	(18,981,488)
Net debt	**35,896,605**	53,171,168
Total equity	**228,345,932**	227,510,442

The Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Net debt	**35,896,605**	53,171,168
Total equity	**228,345,932**	227,510,442
Gearing ratio	**16%**	23%