INTEGRATED HOLDING COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Integrated Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of 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 2020, 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 ("ISA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Allowance for expected credit losses on trade receivables
As at 31 December 2020, the Group has trade receivables amounted to KD 9,359,688 representing 9% of total assets.

The Group determines the expected credit losses on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment including COVID-19 considerations. Trade receivables have been grouped based on shared credit risk characteristics and days past due.

The COVID-19 global pandemic impacted management's determination of the ECL and required the application of heightened judgment. As a result, the ECL has a higher than usual degree of uncertainty. Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information in view of the ongoing Covid-19 pandemic;

- Recalculating the allowance for expected credit losses charged against the receivable balances of the Group and ensuring that they are adequate accurate, and sufficient;

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

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

- We also considered the adequacy of the Group's disclosures relating to the ECL in Note 12, management's assessment of the credit risk and their responses to such risks in Note 20 to the consolidated financial statements.

Other information included in the Group's 2020 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2020 Annual Report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter
The consolidated financial statement of the Group for the year ended 31 December 2019 were audited by another auditor who issued an unmodified audit opinion dated 23 March 2020. Our opinion is not modified in respect of this matter.

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

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INTEGRATED HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No.7 of 2010, concerning the Capital Markets Authority, and its related regulations, during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

24 March 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
Revenue	3	**20,092,188**	29,594,584
Cost of revenue	4	**(17,511,612)**	(18,356,642)
GROSS PROFIT		**2,580,576**	11,237,942
Other income	5	**931,753**	1,817,851
Net foreign exchange (loss) gain		**(412,326)**	332,492
General and administrative expenses	6	**(2,575,944)**	(2,375,492)
Allowance for expected credit losses, net	12	**(1,642,303)**	(2,093,256)
Finance costs		**(666,589)**	(524,076)
(LOSS) PROFIT BEFORE TAXATION AND DIRECTORS' REMUNERATION		**(1,784,833)**	8,395,461
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(5,023)**	(75,557)
National Labour Support Tax (NLST)		**-**	(258,013)
Zakat		**(5,581)**	(103,205)
Income tax on overseas operations	7	**(10,830)**	-
Directors' remuneration		**(48,000)**	(60,000)
(LOSS) PROFIT FOR THE YEAR		**(1,854,267)**	7,898,686
Attributable to:			
Equity holders of the Parent Company		**(1,854,267)**	7,898,686
BASIC AND DILUTED (LOSS) EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	8	**(8.43)**	35.90

The attached notes 1 to 24 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020	*2019*
	KD	*KD*
(LOSS) PROFIT FOR THE YEAR	**(1,854,267)**	7,898,686
Other comprehensive income (loss)		
Other comprehensive income (loss) that may be reclassified subsequently to consolidated statement of profit or loss:		
Foreign currency translation adjustments	**21,477**	(16,321)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(1,832,790)**	7,882,365

The attached notes 1 to 24 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	*2020* *KD*	*2019* *KD*
ASSETS			
Non-current assets			
Property and equipment	9	**82,397,031**	72,529,057
Right-of-use assets	10	**632,247**	697,144
Intangible assets	11	**827,485**	711,338
Deferred tax asset	7	**195,321**	-
		84,052,084	73,937,539
Current assets			
Inventories		**903,135**	859,832
Trade and other receivables	12	**12,177,187**	16,604,407
Bank balances and cash		**1,935,725**	1,787,949
		15,016,047	19,252,188
TOTAL ASSETS		**99,068,131**	93,189,727
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**22,000,000**	22,000,000
Share premium		**-**	1,463,000
Statutory reserve	13	**9,494,240**	9,494,240
Foreign currency translation reserve		**(8,785)**	(30,262)
Retained earnings		**28,678,507**	35,669,774
Total equity		**60,163,962**	68,596,752
Non-current liabilities			
Loans and borrowings	14	**15,552,633**	9,288,487
Employees' end of service benefits	15	**1,825,158**	1,567,228
Trade and other payables	16	**7,918,718**	-
Lease liabilities	10	**675,833**	712,905
		25,972,342	11,568,620
Current liabilities			
Trade and other payables	16	**5,269,568**	6,870,800
Loans and borrowings	14	**7,615,365**	6,127,421
Lease liabilities	10	**46,894**	26,134
		12,931,827	13,024,355
Total liabilities		**38,904,169**	24,592,975
TOTAL EQUITY AND LIABILITIES		**99,068,131**	93,189,727

Mohammad Naser Abdulaziz Al Fouzan
Chairman

The attached notes 1 to 24 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital *KD*	*Share premium* *KD*	*Statutory reserve* *KD*	*Foreign currency translation reserve* *KD*	*Retained earnings* *KD*	*Total* *KD*
As at 1 January 2020	22,000,000	1,463,000	9,494,240	(30,262)	35,669,774	68,596,752
Loss for the year	-	-	-	-	(1,854,267)	(1,854,267)
Other comprehensive income	-	-	-	21,477	-	21,477
Total comprehensive income (loss)	-	-	-	21,477	(1,854,267)	(1,832,790)
Transfer from share premium (Note 13)	-	(1,463,000)	-	-	1,463,000	-
Dividend (Note 13)	-	-	-	-	(6,600,000)	(6,600,000)
At 31 December 2020	**22,000,000**	**-**	**9,494,240**	**(8,785)**	**28,678,507**	**60,163,962**
As at 1 January 2019	22,000,000	1,463,000	8,654,694	(13,941)	37,410,634	69,514,387
Profit for the year	-	-	-	-	7,898,686	7,898,686
Other comprehensive loss	-	-	-	(16,321)	-	(16,321)
Total comprehensive (loss) income	-	-	-	(16,321)	7,898,686	7,882,365
Dividend (Note 13)	-	-	-	-	(8,800,000)	(8,800,000)
Transfer to statutory reserve	-	-	839,546	-	(839,546)	-
At 31 December 2019	22,000,000	1,463,000	9,494,240	(30,262)	35,669,774	68,596,752

The attached notes 1 to 24 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	*2020* *KD*	*2019* *KD*
OPERATING ACTIVITIES			
(Loss) profit before taxation and directors' remuneration		**(1,784,833)**	8,395,461
Adjustments to reconcile (loss) profit for the year:			
Depreciation on property and equipment	9	**8,140,950**	8,124,244
Depreciation on right-of-use asset	10	**67,043**	66,904
Gain on disposal of items of property and equipment		**(490,092)**	(1,377,799)
Provision for employees' end of service benefits	15	**340,718**	232,031
Provision for expected credit losses on trade receivables	12	**1,642,303**	2,093,256
Finance costs		**666,589**	524,076
Government grants	5	**(159,242)**	-
Net foreign exchange loss (gain)		**412,326**	(332,492)
		8,835,762	17,725,681
Working capital adjustments:			
Inventories		**40,297**	174,128
Trade and other receivables		**2,995,957**	(2,733,259)
Trade and other payables		**5,797,022**	(12,194,918)
Cash flows from operations		**17,669,038**	2,971,632
Government grant received during the year		**159,242**	-
Directors' remuneration paid		**(60,000)**	(60,000)
Employees' end of service benefits paid	15	**(107,526)**	(111,343)
Net cash flows from operating activities		**17,660,754**	2,800,289
INVESTING ACTIVITIES			
Purchase of items of property and equipment	9	**(17,924,162)**	(9,217,049)
Proceeds from disposal of items of property and equipment		**503,110**	3,324,929
Net cashflow on acquisition of a subsidiary	23	**(295,415)**	-
Net cash flows used in investing activities		**(17,716,467)**	(5,892,120)
FINANCING ACTIVITIES			
Finance costs paid		**(633,412)**	(489,849)
Payment of lease liabilities	10	**(51,841)**	(59,236)
Dividends paid	13	**(6,600,000)**	(8,800,000)
Proceeds from borrowings	14	**11,146,152**	14,387,319
Repayment of borrowings	14	**(3,639,934)**	(4,914,951)
Net cash flows from financing activities		**220,965**	123,283
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**165,252**	(2,968,548)
Net foreign exchange differences		**(17,476)**	(13,106)
Bank balances and cash at 1 January		**1,787,949**	4,769,603
BANK BALANCES AND CASH AT 31 DECEMBER		**1,935,725**	1,787,949

The attached notes 1 to 24 form part of this consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Integrated Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 24 March 2021 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company was incorporated on 4 June 2005 in accordance with Companies Law of Kuwait and is listed on Boursa Kuwait. The Parent Company's registered office is located at Building 7, Block 6, East Ahmadi, P.O. 750, Dasman 15458 Kuwait.

The main activities of the Parent Company are as follows:

- Acquiring shares in Kuwaiti or foreign shareholding companies as well as acquisition of shares in Kuwaiti or foreign companies with limited lability or participate in the incorporation of such two type of companies and management thereof and guaranteeing them with third parties;
- Lending money to the companies in which it holds shares. In such case, the Parent Company's share in the capital of the borrower company is not less than 20%;
- Acquiring industrial property rights including patents, trademarks, industrial marks or industrial drawings or other rights related thereto and lease the same to other companies for use inside or outside Kuwait;
- Acquiring necessary movable and immoveable properties for carrying out its business to the extend permitted by the law; and
- Utilising the financial surpluses available with the Parent Company through investing the same in financial portfolios managed by specialised companies and entities.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 15 April 2020 approved the consolidated financial statements for the year ended 31 December 2019. Dividends declared and paid by the Parent Company for the year then ended are provided in Note 13.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 19.

1.2 GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	*Country of incorporation*	*% equity interest* *2020*	*2019*	Principal activities
Integrated Logistics Company K.S.C.C.	Kuwait	**100%**	100%	Logistics service
Integrated Heavy Lift Company K.S.C.C.	Kuwait	**100%**	100%	Logistics service
Integrated Logistics Company W.L.L.*	Qatar	**100%**	100%	Logistics service
Integrated Project Company K.S.C.C.	Kuwait	**100%**	100%	Infrastructure contracting
Integrated Equipment Company W.L.L.	Kuwait	**100%**	100%	General trading and contracting
Integrated Transport Project Company W.L.L.	KSA	**100%**	100%	Transportation services
Integrated Logistics Company L.L.C *(indirectly held through Integrated Logistics Company K.S.C.C.)*	UAE	**100%**	100%	Transportation services
Techno Service General Trading Company W.L.L. *(indirectly held through Integrated Project Company K.S.C.C.)*	Kuwait	**100%**	-	General trading and contracting

* Certain shares in the subsidiaries are registered in the names of nominees on the behalf of the Parent Company. These nominees have confirmed in writing that the Parent Company is the beneficial owner of these shares.

2.1 BASIS OF PREPARATION

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

The results of the subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss from the date of acquisition or up to the date of disposal, as appropriate.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except as mentioned below:

New and amended standards and interpretations
The nature and the impact of each new standard and amendment is described below:

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statement of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statement of the Group, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statement of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions
On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statement of the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statement of the Group as it does not have any interest rate hedge relationships.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

2.5 SIGNIFICANT ACCOUNTING POLICIES

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

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

Equipment hire and transportation services
Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period because the customer receives and uses the benefits simultaneously. This is determined based on the actual rental hours spent.

There is no contracts which include multiple deliverables. It is therefore accounted for as a single performance obligation.

The contracts includes an hourly fee and revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

The Group normal business operations consist of the provision of equipment hire and transportation services. For sales of services i.e. equipment hire and transportation, revenue is recognised in the accounting period in which the control is transferred.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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

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

Taxes
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

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

Taxation on overseas subsidiary
Certain subsidiaries are subject to taxes on income in various foreign countries of operation. Provision is made for current income taxes in the subsidiaries' financial statements based on the tax laws and the rates of the countries in which operations were conducted during the year. Provision for deferred income taxes reflects the net tax effects of timing differences between the carrying amount of assets and liabilities used for financial and income tax reporting purposes, which are expected to reverse in the foreseeable future.

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and/or any accumulated impairment losses, if any.

Freehold land is measured at cost and is not depreciated.

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

▶ Buildings	25 to 30 years
▶ Fleet	5 to 20 years
▶ Machinery	5 years
▶ Equipment and tools	5 to 10 years
▶ Vehicles	5 years
▶ Furniture and fixtures	5 years

Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised as the expense is incurred.

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

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

Leases
The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets.

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section 'Impairment of non-financial assets'.

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Goodwill

Accounting policy relating to goodwill is documented in the accounting policy “Business combinations and goodwill”.

Leasehold rights

Leasehold rights represent utilisation of rights for the leasehold hand taken on lease from the government. The leasehold rights are assumed to have an indefinite useful life and are subject to impairment testing on at least an annual basis.

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

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

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
- Raw materials: purchase cost on weighted average basis
- Finished goods: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

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

Financial assets at amortised cost
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group's financial assets at amortised cost includes trade receivables and bank balances and cash.

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

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

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

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

ii) Financial liabilities
The Group's financial liabilities include loans and borrowings, trade and other payables and lease liabilities.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings net of directly attributable transaction costs.

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

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

Financial liabilities at amortised cost
Loans and borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of profit or loss as finance income or finance costs.

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)
Financial liabilities at amortised cost (continued)
Loans and borrowings (continued)
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

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

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

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Employees' end of service benefits
Local
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment. The Group's obligations are limited to these contributions which are expensed when due.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries.

International
The Group provides end of service benefits to all its international employees. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment. The Group's obligations are limited to these contributions which are expensed when due.

Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Transactions and balances (continued)

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are translated at the average rates of exchange for the year. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Provisions

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

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

Contingencies

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

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

Segment information

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

Going concern
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

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

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of financial assets at amortised cost
The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets
The Parent Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property and equipment
A decline in the value of property and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments;
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of intangible assets with indefinite useful lives
The Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset 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. More details are given in Notes 10.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories expire or become 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.

3 REVENUE

Set out below is the disaggregation of the Group's revenue:

	For the year ended 31 December 2020				
	Equipment hire KD	***Transportation KD***	***Sales of goods KD***	***Revenue others KD***	***Total KD***
Type of goods or service					
Rendering of services	**17,548,150**	**1,775,128**	**-**	**234,376**	**19,557,654**
Sale of goods	**-**	**-**	**534,534**	**-**	**534,534**
	17,548,150	**1,775,128**	**534,534**	**234,376**	**20,092,188**
Geographical markets					
Kuwait	**11,736,805**	**1,648,731**	**534,534**	**234,376**	**14,154,446**
Outside Kuwait	**5,811,345**	**126,397**	**-**	**-**	**5,937,742**
	17,548,150	**1,775,128**	**534,534**	**234,376**	**20,092,188**
Timing of revenue recognition					
Services transferred over time	**17,548,150**	**1,775,128**	**-**	**234,376**	**19,557,654**
Goods transferred at a point in time	**-**	**-**	**534,534**	**-**	**534,534**
	17,548,150	**1,775,128**	**534,534**	**234,376**	**20,092,188**

	For the year ended 31 December 2019				
	Equipment hire KD	*Transportation KD*	*Sales of goods KD*	*Revenue others KD*	*Total KD*
Type of goods or service					
Revenue from rendering of services	27,459,182	2,075,668	-	-	29,534,850
Sale of goods	-	-	59,734	-	59,734
	27,459,182	2,075,668	59,734	-	29,594,584
Geographical markets					
Kuwait	22,533,992	1,962,463	59,734	-	24,556,189
Outside Kuwait	4,925,190	113,205	-	-	5,038,395
	27,459,182	2,075,668	59,734	-	29,594,584
Timing of revenue recognition					
Services transferred over time	27,459,182	2,075,668	-	-	29,534,850
Goods transferred at a point in time	-	-	59,734	-	59,734
	27,459,182	2,075,668	59,734	-	29,594,584

4 COST OF REVENUE

	2020	*2019*
	KD	*KD*
Depreciation on property and equipment (Note 9)	**7,927,515**	7,929,501
Staff costs	**6,335,846**	6,825,632
Fleet consumables and maintenance	**1,881,462**	2,183,202
Inventories recognised as expense upon sale of goods	**446,943**	63,584
Rent expenses (Note 10)	**354,430**	305,600
Mobilization expenses	**177,143**	36,029
Subcontract expenses	**78,394**	658,689
Other direct costs	**309,879**	354,405
	17,511,612	18,356,642

5 OTHER INCOME

	2020	*2019*
	KD	*KD*
Gain on disposal of property and equipment	**490,092**	1,377,799
Government grant	**159,242**	-
Others	**282,419**	440,052
	931,753	1,817,851

6 GENERAL AND ADMINISTRATION EXPENSES

	2020	*2019*
	KD	*KD*
Staff costs	**1,523,405**	1,355,139
Depreciation on property and equipment (Note 9)	**213,435**	194,743
Rent expenses (Note 10)	**20,994**	39,514
Depreciation on right of use assets (Note 10)	**67,043**	66,904
Others	**751,067**	719,192
	2,575,944	2,375,492

7 INCOME TAX

The major components of income tax expense were as follows:

Consolidated statement of profit or loss	***2020***	*2019*
	KD	*KD*
Current income tax		
Current income tax charge	**(206,151)**	-
Deferred tax:		
Relating to origination and reversal of temporary differences	**195,321**	-
Income tax expense reported in the consolidated statement of profit or loss	**(10,830)**	-

7 INCOME TAX (continued)

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		*Consolidated statement of profit or loss*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Provision for bad debts	**182,192**	-	**182,192**	-
End of service benefit	**4,617**	-	**4,617**	-
Leave provision	**2,353**	-	**2,353**	-
Unrealised foreign exchange loss	**74,313**	-	**74,313**	-
Deferred tax benefit				
Net deferred tax asset reflected in the consolidated statement of financial position	**195,321**	-	**195,321**	-

8 (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share amounts are calculated by dividing the (loss) profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the (loss) profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

	2020	*2019*
(Loss) profit for the year attributable to shareholders of the Parent Company (KD)	**(1,854,267)**	7,898,686
Weighted average number of shares outstanding (shares)	**220,000,000**	220,000,000
Basic and diluted loss per share (fils)	**(8.43)**	35.90

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this consolidated financial statement which would require the restatement of EPS.

9 PROPERTY AND EQUIPMENT

	Freehold land	*Buildings*	*Fleet*	*Machinery*	*Equipment & tools*	*Vehicles*	*Furniture and fixtures*	*Capital work in progress*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Cost:									
At 1 January 2020	294,285	1,483,860	128,150,641	2,252,908	3,200,702	1,806,206	114,654	2,368,573	139,671,829
On acquisition of assets in subsidiary (Note 23)	-	12,170	-	445,945	28,251	43,242	3,861	4,501	537,970
Additions	-	-	4,703,006	45,900	87,094	64,055	-	13,024,107	17,924,162
Transfers	-	-	613,434	-	24,277	12,043	-	(649,754)	-
Disposals	-	-	(1,800,478)	(225,977)	-	(3,200)	-	-	(2,029,655)
Foreign currency translation adjustment	968	703	48,988	18	717	674	28	3,796	55,892
At 31 December 2020	**295,253**	**1,496,733**	**131,715,591**	**2,518,794**	**3,341,041**	**1,923,020**	**118,543**	**14,751,223**	**156,160,198**
Depreciation:									
At 1 January 2020	-	(817,890)	(61,628,567)	(1,800,599)	(1,525,389)	(1,247,323)	(104,177)	-	(67,123,945)
On acquisition of assets in subsidiary (Note 23)	-	(4,450)	-	(406,156)	(27,750)	(40,114)	(3,635)	-	(482,105)
Depreciation charge for the year	-	(196,901)	(7,439,566)	(119,982)	(179,253)	(200,170)	(5,078)	-	(8,140,950)
Disposals	-	-	1,787,460	225,977	-	3,200	-	-	2,016,637
Foreign currency translation adjustment	-	(77)	(32,116)	(10)	(177)	(397)	(27)	-	(32,804)
At 31 December 2020	-	**(1,019,318)**	**(67,312,789)**	**(2,100,770)**	**(1,732,569)**	**(1,484,804)**	**(112,917)**	-	**(73,763,167)**
Net book value:									
At 31 December 2020	**295,253**	**477,415**	**64,402,802**	**418,024**	**1,608,472**	**438,216**	**5,626**	**14,751,223**	**82,397,031**

9 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	*Buildings KD*	*Fleet KD*	*Machinery KD*	*Equipment & tools KD*	*Vehicles KD*	*Furniture and fixtures KD*	*Capital work in progress KD*	*Total KD*
Cost:									
At 1 January 2019	294,460	1,442,469	125,576,243	2,283,791	2,684,325	1,653,720	112,824	3,660,305	137,708,137
Additions	-	41,410	6,890,851	83,301	266,499	176,581	782	1,757,625	9,217,049
Transfers	-	-	2,785,790	11,150	250,000	-	1,053	(3,047,993)	-
Disposals	-	-	(7,095,611)	(125,331)	-	(23,977)	-	-	(7,244,919)
Exchange differences	(175)	(19)	(6,632)	(3)	(122)	(118)	(5)	(1,364)	(8,438)
At 31 December 2019	294,285	1,483,860	128,150,641	2,252,908	3,200,702	1,806,206	114,654	2,368,573	139,671,829
Depreciation:									
At 1 January 2019	-	(645,538)	(59,337,225)	(1,813,777)	(1,360,947)	(1,062,414)	(98,593)	-	(64,318,494)
Depreciation charge for the year	-	(172,382)	(7,441,903)	(130,986)	(164,436)	(208,949)	(5,588)	-	(8,124,244)
Disposals	-	-	5,148,481	125,331	-	23,977	-	-	5,297,789
Exchange differences	-	30	2,080	6	(6)	63	4	-	2,177
At 31 December 2019	-	(817,890)	(61,628,567)	(1,819,426)	(1,525,389)	(1,247,323)	(104,177)	-	(67,142,772)
Net book value:									
At 31 December 2019	294,285	665,970	66,522,074	433,482	1,675,313	558,883	10,477	2,368,573	72,529,057

The depreciation included in the consolidated statement of profit or loss is allocated as follows:

	2020 KD	*2019 KD*
Cost of revenue (Note 5)	**7,927,515**	7,929,501
General and administrative expenses (Note 7)	**213,435**	194,743
	8,140,950	8,124,244

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various locations used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

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

	2020 ***KD***	*2019* *KD*
As at 1 January	**697,144**	764,031
Depreciation	**(67,043)**	(66,904)
Exchange differences	**2,146**	17
	632,247	697,144

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

	2020 ***KD***	*2019* *KD*
As at 1 January	**739,039**	764,031
Interest expenses	**33,177**	34,227
Payments	**(51,841)**	(59,236)
Exchange differences	**2,352**	17
As at 31 December	**722,727**	739,039
Non-current lease liabilities	**675,833**	712,905
Current lease liabilities	**46,894**	26,134
	722,727	739,039

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 4.5% p.a.

The maturity analysis of lease liabilities is disclosed in Note 20.

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

	2020 ***KD***	*2019* *KD*
Depreciation on right-of-use assets (included under 'general and administration expenses') (Note 6)	**67,043**	66,904
Interest expense on lease liabilities	**33,177**	34,227
Expense relating to short-term leases and low-value assets (included under 'cost of revenue') (Note 4)	**354,430**	305,600
Expense relating to short-term leases and low-value assets (included under 'general and administration expenses') (Note 6)	**20,994**	39,514
	475,644	446,245

11 INTANGIBLE ASSETS

	Goodwill KD	*Leasehold rights KD*	*Total KD*
Cost and net book value:			
At 1 January 2020	-	711,338	711,338
Goodwill acquired on acquisition of subsidiary (Note 23)	116,080	-	116,080
Exchange difference	-	67	67
At 31 December 2020	**116,080**	**711,405**	**827,485**
Cost and net book value:			
At 1 January 2019	-	711,350	711,350
Exchange difference	-	(12)	(12)
At 31 December 2019	-	711,338	711,338

Leasehold rights represent utilisation rights for leasehold land taken on lease from the Government. Utilisation rights is not subject to amortization charge as it has an indefinite useful life since renewing the lease is virtually certain and the Parent Company will continue to generate future economic benefit from utilizing the leasehold land without incurring significant cost.

12 TRADE AND OTHER RECEIVABLES

	2020 KD	*2019 KD*
Trade receivables	**15,201,064**	15,934,470
Retention receivables	**205,593**	123,896
	15,406,657	16,058,366
Less: Allowance for expected credit losses	**(6,046,969)**	(4,407,633)
	9,359,688	11,650,733
Accrued revenue	**1,305,730**	3,345,204
Amount due from a related party (Note 19)	**217,462**	77,551
Deposits	**158,097**	219,011
Advance to suppliers and employees	**515,760**	467,164
Prepaid expenses	**177,689**	220,825
Other receivables	**442,761**	623,919
	12,177,187	16,604,407

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

	2020 KD	*2019 KD*
At 1 January	**4,407,633**	2,604,549
Allowance for expected credit losses	**1,642,303**	2,093,256
Write off	**-**	(288,636)
Foreign exchange difference	**(2,967)**	(1,536)
At 31 December	**6,046,969**	4,407,633

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 20.

13 EQUITY

(i) SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2020	*2019*	***2020***	*2019*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**220,000,000**	220,000,000	**22,000,000**	22,000,000

(ii) STATUTORY RESERVE

In accordance with the Companies' Law No. 1 of 2016, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10 % of the profit for the year before KFAS, NLST, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when profits become available in the following years, unless such reserve exceeds 50% of the issued share capital.

No transfer has been made to the statutory reserve due to the losses incurred during the year.

(iii) DIVIDENDS

The shareholders at the Annual General Meeting ("AGM") held on 15 April 2020 approved the distribution of cash dividends of 30 fils per share (31 December 2018: 40 fils per share) to be paid through fully utilizing share premium and retained earnings of KD 1,463,000 and KD 5,137,000 respectively (2018: fully paid out of retained earnings) in respect of the year ended 31 December 2019.

On 24 March 2021, the Board of Directors of the Parent Company recommended bonus shares of 15% (2019: recommended distribution of cash dividend of 30 fils per share) for the year ended 31 December 2020. This proposal is subject to the approval by the shareholders' at the Annual General Assembly of the Parent Company..

14 LOANS AND BORROWINGS

	2020	*2019*
	KD	*KD*
Term loans	**1,262,574**	3,100,766
Tawaruq payables	**16,910,424**	10,385,142
Murabaha payables	**4,995,000**	1,930,000
	23,167,998	15,415,908

The amounts payable under Murabaha and Tawarruq agreements are repayable within 1 to 5 years. The amount due is settled on a deferred payment basis and carry profit between 2.25% to 2.75% (31 December 2019: 3.50% to 3.75%).

Term loans carry finance charges at EIBOR+ 0.75% and are repayable within 5 years.

Currency wise breakup of the loans and borrowings are as follows:

	2020	*2019*
	KD	*KD*
Kuwaiti Dinars	**21,905,424**	12,315,142
Euro	**1,262,574**	3,100,766
At 31 December	**23,167,998**	15,415,908

14 LOANS AND BORROWINGS (continued)

Maturity wise breakup of the loans and borrowings are as follows:

	2020 ***KD***	*2019* *KD*
Non-current	**15,552,633**	9,288,487
Current	**7,615,365**	6,127,421
At 31 December	**23,167,998**	15,415,908

The movement of borrowings is as follows:

	2020 ***KD***	*2019* *KD*
At 1 January	**15,415,908**	6,132,973
Proceeds from borrowings	**11,146,152**	14,387,319
Repayment of borrowings	**(3,639,934)**	(4,914,951)
Exchange differences	**245,872**	(189,433)
At 31 December	**23,167,998**	15,415,908

15 EMPLOYEES' END OF SERVICE BENEFITS

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

	2020 ***KD***	*2019* *KD*
At 1 January	**1,567,228**	1,446,693
On acquisition of subsidiary (Note 23)	**24,392**	-
Charge for the year	**340,718**	232,031
Paid during the year	**(107,526)**	(111,343)
Foreign currency translation	**346**	(153)
At 31 December	**1,825,158**	1,567,228

16 TRADE AND OTHER PAYABLES

	2020 ***KD***	*2019* *KD*
Trade payables	**9,535,965**	3,996,591
Amount due to a related party (Note 19)	**33,456**	50,321
Accrued expenses	**940,126**	1,250,298
Staff payables	**1,824,412**	1,119,694
Other payables	**854,327**	453,896
	13,188,286	6,870,800
Non-current trade and other payables	**7,918,718**	-
Current trade and other payables	**5,269,568**	6,870,800
	13,188,286	6,870,800

17 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its geographies and has two reportable segments, as follows:

- Inside Kuwait.
- Outside Kuwait.

The Chief Operating Decision Maker (CODM) monitors the operating results of its business geographically for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The following table presents the geographical analysis of the Group's assets, liabilities, revenues, expenses, and profit for the year ended 31 December 2020 and 31 December 2019 respectively:

	Inside Kuwait *KD*	**Outside Kuwait** *KD*	**Total** *KD*
31 December 2020			
Total assets	**74,682,084**	**24,386,047**	**99,068,131**
Total liabilities	**15,730,403**	**23,173,766**	**38,904,169**
Revenues	**14,154,446**	**5,937,742**	**20,092,188**
Expenses	**(18,497,741)**	**(4,380,467)**	**(22,878,208)**
(Loss) profit for the year	**(3,291,042)**	**1,436,775**	**(1,854,267)**
Depreciation on property and equipment	**(6,737,868)**	**(1,403,082)**	**(8,140,950)**
Finance cost	**(613,415)**	**(53,174)**	**(666,589)**
Capital expenditures	**11,521,256**	**6,402,906**	**17,924,162**
31 December 2019			
Total assets	78,098,227	15,091,500	93,189,727
Total liabilities	10,600,473	13,992,502	24,592,975
Revenues	24,556,189	5,038,395	29,594,584
Expenses	(18569,538)	(4,944,211)	(23,513,749)
Profit for the year	8,174,947	(276,261)	7,898,686
Depreciation on property and equipment	(7,055,275)	(1,068,969)	(8,124,244)
Finance cost	(482,073)	(42,003)	(524,076)
Capital expenditures	5,198,637	4,018,412	9,217,049

Capital expenditure consists of additions to property and equipment.

18 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the reporting date, the Group had commitments and contingent liability as following:

	2020 ***KD***	*2019* *KD*
Capital commitments	**6,495**	39,326
Letter of credit	**1,023,660**	2,988,572
Letters of guarantee	**2,269,594**	1,429,138
	3,299,749	4,457,036

19 RELATED PARTY DISCLOSURES

Related parties represent associates, 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 Parent Company's management.

Transactions and balances with related parties are as follows:

	Other affiliates KD	*2020 KD*	*2019 KD*
Consolidated statement of profit or loss			
Revenue	**378,926**	**378,926**	118,022
Consolidated statement of financial position			
Amount due from a related party	**217,462**	**217,462**	77,551
Amount due to a related party	**33,456**	**33,456**	50,321

The transaction with related parties are made on terms approved by management. Outstanding balances of amount due from/to related parties as at the year-end are unsecured, interest free and receivable/payable on demand.

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

	Transaction values for the year ended 31 December	
	2020	*2019*
	KD	*KD*
Salaries and short-term employee benefits	**1,089,750**	1,135,385
End of services benefits	**46,807**	47,001
	1,136,557	1,182,386

The Board of Directors of the Parent Company has proposed a directors' remuneration for the year ended 31 December 2020 of KD 48,000 (2019: KD 60,000). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk which is limited to interest / profit rate risk and foreign currency risk. The Group's policy is to monitor those business risks through the Group's strategic planning process.

The Group's principal financial liabilities comprise of accounts payable and accruals and lease liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables and bank balances and cash which are directly from its operations.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily trade and other receivables, and from its financing activities, including deposits with banks.

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

	2020	*2019*
	KD	*KD*
Bank balances	**1,902,290**	1,762,426
Trade and other receivables*	**11,644,269**	16,032,257
	13,546,559	17,794,683

* excluding prepaid expenses and advance to suppliers

Collateral and other credit enhancements

The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2020 and 31 December 2019.

Concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's concentration of credit risk pertains to receivable balances from the Group's 5 largest customers which account for 33% as at 31 December 2020 (2019: 34%) of outstanding trade receivables at the reporting date.

Balances with banks

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Impairment on cash and short-term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.

Trade receivables

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

Majority of the Group's customers have been transacting with the Group for over three years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a corporate or government entities, trading history with the Group and existence of previous financial difficulties.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. The Group does not hold collateral as security.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

Trade receivables (continued)

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

31 December 2020	*Current KD*	*Days past due* *<90 days KD*	*91-180 days KD*	*>180 days KD*	*Total KD*
Expected credit loss rate	5.12%	5.21%	34.41%	66.59%	39,25%
Total gross carrying amount at default	3,593,465	2,145,935	2,132,877	7,534,380	15,406,657
Expected credit loss	**184,099**	**111,803**	**733,923**	**5,017,144**	**6,046,969**

31 December 2019	*Current KD*	*Days past due* *<90 days KD*	*91-180 days KD*	*>180 days KD*	*Total KD*
Expected credit loss rate	10.40%	12.77%	25.42%	59.02%	27.44%
Total gross carrying amount at default	6,142,533	2,518,499	2,734,493	4,662,841	16,058,366
Expected credit loss	638,904	321,612	695,108	2,752,009	4,407,633

20.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

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

31 December 2020	***On demand KD***	***Upto 3 months KD***	***3 months to 12 months KD***	***More than 1 year KD***	***Total KD***
Loans and borrowings	**-**	**2,040,019**	**6,120,056**	**16,038,983**	**24,199,058**
Trade and other payables	**33,456**	**1,794,453**	**3,441,659**	**7,918,718**	**13,188,286**
Lease liabilities	**-**	**16,407**	**52,968**	**815,361**	**884,736**
Total liabilities	**33,456**	**3,850,879**	**9,614,683**	**24,773,062**	**38,272,080**
31 December 2019					
Loans and borrowings	-	1,690,208	5,070,625	9,761,541	16,522,374
Trade and other Payables	50,321	1,704,194	5,116,285	-	6,870,800
Lease liabilities	-	12,960	38,881	884,738	936,579
Total liabilities	50,321	3,407,362	10,225,791	10,646,279	24,329,753

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest/profit rate risk and foreign currency risk.

20.3.1 Interest / profit rate risk

Interest/profit rate risk arises from the possibility that changes in interest/profit rates will affect future profitability or the fair values of financial instruments. Interest/profit rate risk is managed by the treasury department of the Group. The Group is exposed to interest/profit rate risk as a result of mismatches of interest/profit rate repricing of assets and liabilities. It is the Group's profit policy to manage its interest/profit cost using a mix of fixed and variable rate debts. The Group is exposed to interest/profit rate risk on its term loans and payable under Islamic financing.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest/profit rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2020. The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant. A decrease in interest/profit rates will have an identical opposite effect.

Currency	*Change in basis points (+/-)*	*Effect on (loss) profit (+/-) KD*	
		2020	*2019*
Kuwaiti Dinars	100	**219,054**	123,151
EURO	100	**12,625**	31,008

20.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is mainly exposed to foreign currency risk on its term loan and trade payables denominated in foreign currencies, primarily the EURO (EUR).

The Group manages its currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level

The Group currently does not use financial derivatives to manage its exposure to currency risk.

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD current rate with all other variable held constant, on the consolidated statement of profit or loss (due to fair value of currency sensitive monetary assets and liabilities).

	Foreign currency denominated balances		*Change in currency rate by 5% effect on (loss) profit for the year*	
	2020 KD	*2019 KD*	***2020 KD***	*2019 KD*
US Dollar	**482,961**	624,935	**± 24,148**	± 31,247
EURO	**9,155,071**	3,260,628	**± 457,754**	± 163,031
United Arab Emirates Dirham	**263,189**	303,247	**± 13,159**	± 15,162
Saudi Riyal	**24,820**	199,445	**± 1,241**	± 9,972
Qatari Riyal	**10,606**	1,920,152	**± 530**	± 96,008

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair values.

22 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximize the shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment or return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes within net debt, loans and borrowings less bank balance and cash. Capital includes total equity excluding foreign currency translation reserve.

	2020 ***KD***	*2019* *KD*
Loans and borrowings	**23,167,998**	15,415,908
Less: Bank balances and cash	**(1,935,725)**	(1,787,949)
Net debt	**21,232,273**	13,627,959
Total equity	**60,172,747**	68,627,014
Total equity and debt	**81,405,020**	82,254,973
Gearing ratio	**26.08%**	16.57%

23 BUSINESS COMBINATION

On 5 April 2020, the Group acquired 100% equity interest in Techno Service General Trading Company W.L.L(Techno Service). Techno Service is a limited liability company registered and incorporated in Kuwait and is engaged in providing thermal spray coatings, repair and maintenance, welding and specialized fabrication services in the State of Kuwait.

The Group finalised the Purchase Price Allocation ("PPA") exercise and determined that the fair values of the assets and liabilities acquired do not differ from their provisionally determined fair values as at the acquisition date. The consideration paid and fair values of the assets and liabilities recognised at the date of acquisition, are summarised as follows:

	KD
Assets	
Property and equipment	55,865
Inventory	83,600
Trade and other receivables	188,693
Bank balances and cash	54,585
	382,743
Liabilities	
Employees end of service benefits	24,392
Trade and other payables	124,431
	148,823
Fair value of net assets acquired by the Group	**233,920**
Consideration paid	350,000
Less: net assets acquired by the Group	(233,920)
Goodwill ***(included in intangible assets)***	**116,080**
Consideration settled in cash	(350,000)
Bank balances and cash in subsidiary acquired	54,585
Cash outflow on acquisition	**(295,415)**

From the date of acquisition, Techno Service General Trading Company W.L.L contributed KD 238,304 of revenue and KD 35,252 to loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2020, the Group's revenue from continuing operations would have been KD 281,578 and the loss before tax from continuing operations would have been KD 64,128.

The goodwill of KD 116,080 comprises the fair value of expected synergies arising from acquisition (Note 11).

24 IMPACT OF COVID-19 OUTBREAK

The COVID-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic.

The measures to slow the spread of COVID-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual.

The currently known impact of COVID-19 on the Group are:
- A decline in revenue for the 2020 compared to 2019 by 32% due to loss of operations.
- Allowance for the expected credit loss for year ended 31 December 2020 amounts to KD 1,642,303.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer term impact on the Group's business may be.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional fair value losses or impairments on its assets. Given the ongoing economic uncertainty, the exact impact on the Group's activities thereafter cannot be predicted at this stage.

As a result, the Group considered the impact of COVID-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of COVID-19 resulted in the application of further judgement within those areas.

Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

Trade and other receivables
The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments).

The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Impairment of non-financial assets
As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

24 IMPACT OF COVID-19 OUTBREAK (continued)

Government assistance
In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the current year, the Group received an aggregate amount of KD 159,242. The financial support is accounted for in accordance with IAS 20 *'Accounting for Government Grants and Disclosures of Government Assistance'* and recognised in profit or loss as other income on a systematic basis over the periods in which the Group recognises expenses for the related staff costs. There is no outstanding balance of deferred income or receivable related to this grant as at 31 December 2020.

Going concern assessment
There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the period. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been prepared on a going concern basis.