National Petroleum Services Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Recognition and measurement of revenue

Revenue from sale of goods is recognised at point in time when control of the goods is transferred to the customer and in case of revenue from services, over the time when the services are rendered. Revenue for individual jobs is measured based on the contractual terms and master agreements that are agreed with customers relating to oil field services and non-oil field services.

Revenue is recognised as performance obligations are satisfied.

Due to the multi-element nature of such jobs involving supply of goods, which are of specialised nature, and rendering of services that comprise supply of manpower and equipment usage charges, there is a significant risk of misstatement in the recognition and measurement of revenue. we considered this as a key audit matter.

Our audit procedures, among others, included assessing the appropriateness of the Group's revenue recognition accounting policies and compliance with those policies. Further, we performed test of details by verifying the revenue recognised to the underlying contracts, master agreements and records supporting delivery of goods and services rendered, including identification of performance obligations within each contract, testing of timing and selection of progress measures for revenue recognition and cut-off procedures. We also performed substantive analytical review which included a detailed comparison of revenue and gross profit margin with the previous year and budgets as well as product-wise detailed analysis.

The accounting policy and the related disclosures for revenue recognition are set out in Notes 3 and 19 to the consolidated financial statements.

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

As at 31 December 2022, trade receivables and contract assets amounted to KD 13,366,220, representing 25% of total assets. The Group has applied the simplified approach under IFRS 9: *'Financial Instruments'* ("IFRS 9") to measure ECL on trade receivables, which allows for lifetime ECL to be recognised from initial recognition of the trade receivables. The Group determines the ECL on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the individual debtors and the economic environment. Due to the significance of trade receivables and contract assets this was considered as a key audit matter.

As part of our audit procedures, we have assessed the reasonableness of the assumptions used in the ECL methodology by comparing them with historical data adjusted for current market conditions and forward-looking information. Further, in order to evaluate the appropriateness of management judgements, we verified, on a sample basis, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also considered the adequacy of the Group's disclosures relating to ECL, management's assessment of the credit risk and their responses to such risks in Note 7 and Note 26 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

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

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 during 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 other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
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 the 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 NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)

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

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

Report on Other Legal and Regulatory Requirements
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 regulation, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)

16 March 2023
Kuwait

National Petroleum Services Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	*2022 KD*	*2021 KD*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**12,322,241**	9,411,500
Right-of-use assets		**366,769**	239,654
		12,689,010	9,651,154
Current assets			
Inventories	6	**5,479,455**	4,238,694
Trade receivables and contract assets	7	**13,366,220**	12,711,640
Prepayments and other receivables	8	**2,822,896**	4,236,730
Financial assets at fair value through profit or loss	9	**613,041**	1,406,279
Term deposits	10	**16,000,000**	13,000,000
Bank balances and cash	11	**2,180,992**	2,195,814
		40,462,604	37,789,157
TOTAL ASSETS		**53,151,614**	47,440,311
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**10,000,000**	10,000,000
Share premium	13	**3,310,705**	3,310,705
Treasury shares	14	**(654,461)**	(654,461)
Treasury shares reserve	14	**33,825**	33,825
Statutory reserve	15	**5,858,895**	5,858,895
Voluntary reserve	16	**5,858,895**	5,858,895
Foreign currency translation reserve		**(15,695)**	(8,072)
Retained earnings		**17,871,126**	14,442,021
Equity attributable to equity holders of the Parent Company		**42,263,290**	38,841,808
Non-controlling interests		**10**	14
Total equity		**42,263,300**	38,841,822
Non-current liabilities			
Employees' end of service benefits	17	**3,452,533**	3,023,880
Lease liabilities		**164,422**	71,463
		3,616,955	3,095,343
Current liabilities			
Accounts payable and accruals	18	**7,057,298**	5,325,550
Lease liabilities		**214,061**	177,596
		7,271,359	5,503,146
Total liabilities		**10,888,314**	8,598,489
TOTAL EQUITY AND LIABILITIES		**53,151,614**	47,440,311

Omran Habib Jawhar Hayat
Chairman

Khaled Hamdan Al Saif
Vice Chairman and CEO

The attached notes 1 to 30 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	***2022 KD***	*2021 KD*
Sales and services revenue	19	**37,184,789**	27,871,171
Cost of sales and services rendered		**(27,854,616)**	(21,358,638)
GROSS PROFIT		**9,330,173**	6,512,533
Interest income		**290,958**	275,228
Net investments loss	20	**(442,647)**	(111,536)
Other income	5	**415,115**	295,899
General and administrative expenses	21	**(2,306,455)**	(1,808,262)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		**7,287,144**	5,163,862
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(72,871)**	(51,639)
National Labour Support Tax (NLST)		**(200,514)**	(143,052)
Zakat		**(80,369)**	(57,221)
Directors' remuneration		**(109,289)**	(77,458)
PROFIT FOR THE YEAR		**6,824,101**	4,834,492
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(7,623)**	(14,575)
Other comprehensive loss for the year		**(7,623)**	(14,575)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,816,478**	4,819,917
Profit (loss) attributable to:			
Equity holders of the Parent Company		**6,824,105**	4,834,491
Non-controlling interests		**(4)**	1
		6,824,101	4,834,492
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company		**6,816,482**	4,819,916
Non-controlling interests		**(4)**	1
		6,816,478	4,819,917
BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY (FILS)	22	**70.35**	49.84

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to Equity Holders of the Parent Company										
	Share capital KD	***Share premium KD***	***Treasury shares KD***	***Treasury shares reserve KD***	***Statutory reserve KD***	***Voluntary reserve KD***	***Foreign currency translation reserve KD***	***Retained earnings KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2022	10,000000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	(8,072)	14,442,021	38,841,808	14	38,841,822
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(7,623)	6,824,105	6,816,482	(4)	6,816,478
Cash dividends (Note 29)	-	-	-	-	-	-	-	(3,395,000)	(3,395,000)	-	(3,395,000)
At 31 December 2022	**10,000000**	**3,310,705**	**(654,461)**	**33,825**	**5,858,895**	**5,858,895**	**(15,695)**	**17,871,126**	**42,263,290**	**10**	**42,263,300**
As at 1 January 2021	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	6,503	15,815,530	40,229,892	13	40,229,905
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(14,575)	4,834,491	4,819,916	1	4,819,917
Cash dividends (Note 29)	-	-	-	-	-	-	-	(6,208,000)	(6,208,000)	-	(6,208,000)
At 31 December 2021	10,000000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	(8,072)	14,442,021	38,841,808	14	38,841,822

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	***2022 KD***	*2021 KD*
OPERATING ACTIVITIES			
Profit before tax and after directors' remuneration		**7,177,855**	5,086,404
Adjustments to reconcile profit before tax and after directors' renumeration to net cash flows:			
Depreciation expense	5	**2,183,024**	2,096,059
Depreciation of right-of-use assets		**303,331**	274,824
Gain on sale of property, plant and equipment	5	**(94,198)**	(239,698)
Gain on termination of lease		**-**	(312)
Provision for slow moving and obsolete inventory	6	**586,517**	349,510
Allowance for expected credit losses on trade receivables	7	**214,123**	-
Dividend income	20	**(49,154)**	(26,258)
Realised gain on sale of financial assets at fair value through profit or loss	20	**(10,063)**	-
Unrealised loss on financial assets at fair value through profit or loss	20	**501,864**	137,794
Interest income		**(290,958)**	(275,228)
Interest expense on lease liabilities	21	**33,785**	23,019
Net foreign exchange differences		**52,377**	(26,941)
Provision for employees' end of service benefits	17	**784,372**	558,230
		11,392,875	7,957,403
Working capital adjustments:			
Inventories		**(1,827,278)**	434,616
Trade receivables and contract assets		**(868,703)**	1,585,668
Prepayments and other receivables		**1,290,535**	(1,299,028)
Accounts payable and accruals		**1,573,468**	508,839
Cash generated from operations		**11,560,897**	9,187,498
Employees' end of service benefits paid	17	**(355,719)**	(450,890)
Taxes paid		**(248,767)**	(322,458)
Net cash flows from operating activities		**10,956,411**	8,414,150
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(5,215,724)**	(1,293,046)
Purchase of financial assets at fair value through profit or loss		**(619,900)**	(608,000)
Proceeds from sale of property, plant and equipment	5	**216,157**	239,745
Proceeds from sale/redemption of financial assets at fair value through profit or loss		**921,337**	-
Dividend income received		**49,154**	26,258
Interest income received		**414,258**	247,987
Net movement in term deposits		**(3,000,000)**	(500,000)
Net cash flows used in investing activities		**(7,234,718)**	(1,887,056)
FINANCING ACTIVITIES			
Dividends paid		**(3,394,085)**	(6,054,150)
Payment of lease liabilities		**(334,807)**	(302,992)
Net cash flows used in financing activities		**(3,728,892)**	(6,357,142)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(7,199)**	169,952
Foreign currency translation adjustment		**(7,623)**	(14,575)
Bank balances and cash at 1 January		**2,195,814**	2,040,437
BANK BALANCES AND CASH AT 31 DECEMBER	11	**2,180,992**	2,195,814
Non-cash items excluded from the consolidated statement of cash flows:			
Additions to right-of-use assets		**(430,446)**	(105,158)
Additions to lease liabilities		**430,446**	105,158
Derecognition of right-of-use assets		**-**	6,587
Derecognition of lease liabilities		**-**	(6,899)

The attached notes 1 to 30 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The consolidated financial statements of National Petroleum Services Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 16 March 2023, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The Parent Company is as a Kuwaiti shareholding Company incorporated on 3 January 1993 and whose shares are publicly traded on Boursa Kuwait. During the year, on 23 November 2022, Qurain Petrochemical Industries Company K.S.C.P. was merged with Kuwait Projects Company Holding K.S.C.P. (KPROJ) and effectively from the date of merger it become the Ultimate Parent Company. KPROJ (the "Ultimate Parent Company") is a public shareholding company registered and incorporated under the laws of the State of Kuwait on 2 August 1975 and listed on the Boursa Kuwait. The Parent Company is located at Shuaiba Industrial Area, Al-Ahmadi, Plot 3 and its registered postal address is P.O. Box 9801, 61008, Kuwait.

The Parent Company's primary objectives are, as follows:

- Performing all support services for wells drilling, repairing and preparation for production as well as wells maintenance related services.
- Establishing industrial firms for the purpose of manufacturing and producing the equipment and materials necessary for achieving such objectives after obtaining the approval of the competent authorities.
- Importing and owning machines, tools and materials necessary for achieving its objectives.
- Owning lands and real estate necessary for establishing its entities and equipment.
- Importing and exporting chemicals necessary for the execution of the works stated above.
- Concluding agreements and obtaining privileges which it deems necessary for the achieving its objectives.
- Possessing the required patents, and trademarks.
- Obtaining and granting agencies in respect of the Parent Company's business operations.
- Conducting studies, queries and researches relevant to the Parent Company's primary objectives.

The Parent Company may carry out all of the above-mentioned activities inside the State of Kuwait or abroad. The Parent Company may also have an interest or participate in any way with entities practicing activities similar to its own or which may assist it in achieving its objectives inside the State of Kuwait or abroad, or may acquire those entities or affiliated itself with them.

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

2.1 BASIS OF PREPARATION

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

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

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

2.2 BASIS OF CONSOLIDATION

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

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

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

The consolidated financial statements include the following subsidiaries:

			% equity interest	
Entity	***Principal activities***	***Country of incorporation***	***2022***	*2021*
Directly held				
Napesco International Petroleum Services S.P.C. (“Napesco International”)	Drilling & maintenance of oil wells and chemical waste management	Kuwait	**100**	100
Indirectly held through Napesco International				
Napesco India LLP (“Napesco India”)	Support activities for petroleum and natural gas mining incidental to onshore and offshore oil & gas extraction.	India	**99.99**	99.99

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the following:

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities 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 statement of comprehensive income. The amendment has no impact on the consolidated financial statements of 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 amendment has no impact on the consolidated financial statements of the Group.

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. The amendment has no impact on the consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Group classifies all other liabilities as non-current.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

▸ Buildings on leasehold land	20 years
▸ Plant and machinery	10 years
▸ Furniture and fixtures	3 years
▸ Motor vehicles	3 years

An item of property, plant and equipment and any significant part initially recognised 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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

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

3.3 Leases

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

Group as a lessee

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

▸ *Right-of-use assets*

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

Right-of-use assets are subject to impairment. Refer to the accounting policies in section 3.5 *Impairment of non-financial assets.*

▸ *Lease liabilities*

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Leases (continued)

Group as a lessee (continued)

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

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

3.4 Inventories

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

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

3.5 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated statement of profit or loss and other comprehensive income. An impairment loss is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

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

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

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

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

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

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

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

3.6 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)
Subsequent measurement (continued)

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

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement

All financial liabilities are measured initially at fair value (transaction price) plus, directly attributable transaction costs.

The Group's financial liabilities comprise lease liabilities and accounts payable and accruals.

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

Subsequent measurement

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

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

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

Financial liabilities at amortised cost

Accounts payable and accruals

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

Derecognition

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

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

iii) Offsetting of financial instruments

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

3.7 Term deposits

Term deposits represent deposits with banks due within three months or more from the placement date and earn interest.

3.8 Bank balances and cash

Bank balances and cash in the consolidated statement of financial position comprise cash on hand, cash at banks and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, bank balances and cash consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.10 Foreign currencies

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

Transactions and balances

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

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

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

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

Group companies

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

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

3.11 Employees' end of service benefits

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

3.13 Revenue from contracts with customers
The Group is primarily in the business of providing various oilfields (i.e. cementing, simulations services) and non-oilfields services (i.e. health and safety services). Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

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

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

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

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

Rendering of services
The Group provides various services that are either sold separately or bundled together with the sale of goods to a customer. Using significant judgement, the Group considers the degree of customisation, integration and interdependency of the related goods and services when assessing distinct performance obligations within one contract.

Stand-alone selling price ("SSP") for each distinct performance obligation is generally determined using the price at which the goods and services would be sold separately to the customer. Discounts, when provided, are allocated based on the relative SSP of the various goods and services.

The Group recognises revenue from contracts of 'sale of services' or 'bundled sale of goods and services contracts that are viewed as a single performance obligation' over time using an output method in measuring progress, generally based on cost-to-cost measure of progress because it faithfully depicts the Group's performance towards complete satisfaction of the performance obligation.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue from contracts with customers (continued)

Contract balances

Contract assets

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

Contract assets are subject to expected credit losses assessment. Refer to accounting policies on impairment of financial assets in section 3.6 *Financial instruments – initial recognition and subsequent measurement.*

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 3.6 *Financial instruments – initial recognition and subsequent measurement.*

3.14 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognized as an expense in the year in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

3.15 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.

3.16 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Judgements
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on 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.

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

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

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

Provision for expected credit losses of trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables and contract assets (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 26.1.

Useful lives of depreciable assets

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

Fair value measurement

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

Provision for impairment of inventories

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

Determination of variable consideration

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

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5 PROPERTY, PLANT AND EQUIPMENT

	Building on a leasehold land* ***KD***	***Plant and machinery*** ***KD***	***Furniture and fixtures*** ***KD***	***Motor vehicles*** ***KD***	***Total*** ***KD***
Cost					
As at 1 January 2022	2,990,736	27,086,823	661,663	441,829	31,181,051
Additions	249,914	4,729,396	40,138	196,276	5,215,724
Disposals	-	(924,830)	(3,087)	(62,038)	(989,955)
At 31 December 2022	**3,240,650**	**30,891,389**	**698,714**	**576,067**	**35,406,820**
Accumulated depreciation					
As at 1 January 2022	2,119,051	18,667,026	646,784	336,690	21,769,551
Charge for the year	131,047	1,939,566	27,195	85,216	2,183,024
Relating to disposals	-	(811,073)	(3,050)	(53,873)	(867,996)
At 31 December 2022	**2,250,098**	**19,795,519**	**670,929**	**368,033**	**23,084,579**
Net book value:					
At 31 December 2022	**990,552**	**11,095,870**	**27,785**	**208,034**	**12,322,241**

	*Building on a leasehold land** *KD*	*Plant and machinery* *KD*	*Furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost					
As at 1 January 2021	2,827,278	27,504,097	654,093	470,263	31,455,731
Additions	163,458	1,090,471	17,046	22,071	1,293,046
Disposals	-	(1,507,745)	(9,476)	(50,505)	(1,567,726)
At 31 December 2021	2,990,736	27,086,823	661,663	441,829	31,181,051
Accumulated depreciation					
As at 1 January 2021	2,001,967	18,271,977	644,923	322,304	21,241,171
Charge for the year	117,084	1,902,794	11,290	64,891	2,096,059
Relating to disposals	-	(1,507,745)	(9,429)	(50,505)	(1,567,679)
At 31 December 2021	2,119,051	18,667,026	646,784	336,690	21,769,551
Net book value:					
At 31 December 2021	871,685	8,419,797	14,879	105,139	9,411,500

* The Group`s building is constructed on a leasehold land granted by the Public Authority of Industry (PAI), which will expire on 5 July 2023. Management believes that it is reasonably certain to renew the lease for a similar term of 5 years.

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

	2022 ***KD***	*2021* *KD*
Cost of sales and services rendered	**2,156,443**	2,067,004
General and administrative expenses (Note 21)	**26,581**	29,055
	2,183,024	2,096,059

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Disposals of property, plant and equipment

In 2022, the Group disposed equipment, furniture and motor vehicles with a total net carrying amount of KD 121,959 (2021: KD 47) for a cash consideration of KD 216,157 (2021: KD 239,745). The resultant gain on disposal amounting to KD 94,198 (2021: KD 239,698) was recognised as part of other income in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

6 INVENTORIES

	2022	*2021*
	KD	*KD*
Cement and acidizing chemicals	**5,137,587**	3,364,146
Spare parts and tools	**1,277,895**	1,224,058
	6,415,482	4,588,204
Less: provision for slow moving and obsolete inventories	**(936,027)**	(349,510)
	5,479,455	4,238,694

During 2022, KD 10,147,939 (2021: KD 8,885,410) was recognised as an expense for inventories. This is recognised in 'cost of sales and services rendered' in the consolidated statement of profit or loss and other comprehensive income.

Movement in the provision for slow moving and obsolete inventories is as follows:

	2022	*2021*
	KD	*KD*
At the beginning of the year	**349,510**	-
Charge for the year (included under cost of sales and services rendered)	**586,517**	349,510
At the end of the year	**936,027**	349,510

7 TRADE RECEIVABLES AND CONTRACT ASSETS

	2022	*2021*
	KD	*KD*
Trade receivables	**7,424,130**	8,608,992
Less: Allowance for expected credit losses on trade receivables	**(418,593)**	(204,470)
	7,005,537	8,404,522
Contract assets	**6,362,219**	4,308,654
Less: Allowance for expected credit losses on contract assets	**(1,536)**	(1,536)
	6,360,683	4,307,118
Trade receivables and contract assets	**13,366,220**	12,711,640

- Trade receivables are non-interest bearing and are generally on terms of 60 to 90 days.
- Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

7 TRADE RECEIVABLES AND CONTRACT ASSETS (continued)

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

	2022	*2021*
	KD	*KD*
As at 1 January	**206,006**	206,006
Charge for the year	**214,123**	-
As at 31 December	**420,129**	206,006

Information about the credit exposures are disclosed in Note 26.1

8 PREPAYMENTS AND OTHER RECEIVABLES

	2022	*2021*
	KD	*KD*
Advance payments to suppliers	**1,106,248**	1,934,015
Staff receivables	**386,329**	346,231
Deposits and other receivables	**1,330,319**	1,956,484
	2,822,896	4,236,730

The net carrying value of other receivables is considered a reasonable approximation of fair value. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	*2021*
	KD	*KD*
Financial assets designated at fair value through profit or loss:		
Managed funds and other securities	**613,041**	1,406,279
	613,041	1,406,279

The hierarchy of determining and disclosing the fair values of financial instrument by valuation techniques is presented in Note 27.

10 TERM DEPOSITS

Term deposits represents deposit with a local bank with original maturity of more than three months but less than one year from the date of placement and earn interest an average rate of 4.88% per annum (2021: 2.1 % per annum).

11 BANK BALANCES AND CASH

	2022	*2021*
	KD	*KD*
Cash on hand	**1,632**	2,137
Cash at banks	**2,179,360**	2,193,677
	2,180,992	2,195,814

12 SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2022	*2021*	***2022***	*2021*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**100,000,000**	100,000,000	**10,000,000**	10,000,000

13 SHARE PREMIUM

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

14 TREASURY SHARES

	2022	*2021*
Number of treasury shares	**3,000,000**	3,000,000
Percentage of issued shares (%)	**3.00%**	3.00%
Market value (KD)	**2,367,000**	2,460,000
Cost (KD)	**654,461**	654,461

Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares as per CMA guidelines.

15 STATUTORY RESERVE

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

The shareholders of the Parent Company at the annual general assembly (AGM) held on 28 March 2019 resolved to discontinue transfers to the statutory reserve.

16 VOLUNTARY RESERVE

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

The shareholders of the Parent Company at the annual general assembly (AGM) held on 28 March 2019 resolved to discontinue transfers to the voluntary reserve.

17 EMPLOYEES' END OF SERVICE BENEFITS

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

	2022	*2021*
	KD	*KD*
As at 1 January	**3,023,880**	2,916,540
Charge for the year	**784,372**	558,230
Payments	**(355,719)**	(450,890)
As at 31 December	**3,452,533**	3,023,880

18 ACCOUNTS PAYABLE AND ACCRUALS

	2022	*2021*
	KD	*KD*
Accounts payable	**1,416,652**	1,491,642
Dividends payable	**338,209**	337,294
Accrued staff costs	**443,892**	550,554
Advances received from client	**356,655**	356,655
Taxes payable	**346,489**	241,502
Accrued directors' remuneration	**109,307**	77,478
Contract liability	**1,844,334**	874,417
Other accrued expenses and provisions	**2,201,760**	1,396,008
	7,057,298	5,325,550

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on terms of 60 to 90 days.
- Other payables are non-interest bearing and have an average term of six months

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

19 SALES AND SERVICES REVENUE

19.1 Disaggregated revenue information

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

	2022	*2021*
	KD	*KD*
Type of goods or services		
Oil field contracts		
Pumping services	**29,188,279**	20,185,045
Non-oil field contracts		
Health, safety, environment and man-power supply services	**6,998,722**	6,736,966
Other services	**997,788**	949,160
Total sales and services revenue	**37,184,789**	27,871,171
Timing of revenue recognition		
Goods and services transferred at a point in time	**61,429**	614,856
Goods and services transferred over time	**37,123,360**	27,256,315
Total sales and services revenue	**37,184,789**	27,871,171

19 SALES AND SERVICES REVENUE (continued)

19.1 Disaggregated revenue information (continued)

	2022	*2021*
	KD	*KD*
Geographical markets		
State of Kuwait	**37,042,580**	27,686,868
Others	**142,209**	184,303
	37,184,789	27,871,171

19.2 Contract balances

	2022	*2021*
	KD	*KD*
Trade receivables (Note 7)	**7,005,537**	8,404,522
Contract assets (Note 7)	**6,360,683**	4,307,118
Contract liability (Note 18)	**1,844,334**	874,417

20 NET INVESTMENT (LOSS) INCOME

	2022	*2021*
	KD	*KD*
Dividend income	**49,154**	26,258
Realised gain on sale of financial assets at fair value through profit or loss	**10,063**	-
Unrealised loss on financial assets at fair value through profit or loss	**(501,864)**	(137,794)
	(442,647)	(111,536)

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
	KD	*KD*
Staff costs	**1,397,215**	1,072,024
Depreciation of right-of-use assets	**53,687**	44,856
Interest expense on lease liabilities	**33,785**	23,019
Professional fees	**53,440**	36,088
Depreciation expense (Note 5)	**26,581**	29,055
Marketing and business development expenses	**58,123**	39,005
Charity expense	**59,125**	51,242
Allowance for expected credit losses (Note 7)	**214,123**	-
Other expenses	**410,376**	512,973
	2,306,455	1,808,262

22 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to 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 profit 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 earnings per share are identical.

	2022	*2021*
Profit for the year attributable to equity holders of the Parent Company (KD)	**6,824,105**	4,834,491
Weighted average number of ordinary shares outstanding during the year	**100,000,000**	100,000,000
Less: weighted average number of treasury shares outstanding during the year	**(3,000,000)**	(3,000,000)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year	**97,000,000**	97,000,000
Basic and diluted EPS (fils)	**70.35**	49.84

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

23 COMMITMENTS AND CONTINGENCIES

23.1 Commitments
At 31 December 2022, the Group had commitments not recognised as liabilities relating to the purchase of property, plant and equipment amounting to KD 971,234 (2021: KD 1,826,234). These commitments are expected to be settled in 2023.

23.2 Contingent liabilities
At 31 December 2022, the Group provided guarantees for the performance of certain contracts amounting to KD 29,133,131 (2021: KD 27,917,822). No liability is expected to arise.

24 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services and has two reportable operating segments i.e. oil field services and non-oil field services. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss.

▶ **Oil field services**

Oil field services comprise of cementing and stimulation formulations for different applications and operating environments for oil rigs. It mainly includes well cementing services, and well intervention services.

▶ **Non-oil field services**

Non-oil field services comprise of a number of diversified activities with health, safety and environmental services, engineering and consultancy services.

The following table presents revenue and segment results information in respect of the Group's business segments:

	For the year ended 31 December 2022				*For the year ended 31 December 2021*			
	Oil field services KD	***Non-oil field services KD***	***Unallocated items KD***	***Total KD***	*Oil field Services KD*	*Non-oil field services KD*	*Unallocated items KD*	*Total KD*
Segment revenue	**29,188,279**	**7,996,510**	**-**	**37,184,789**	20,185,045	7,686,126	-	27,871,171
Income/(expenses)								
Cost of sales*	**(17,937,242)**	**(7,511,287)**	**-**	**(25,448,529)**	(13,311,335)	(5,750,331)	-	(19,061,666)
Depreciation expense	**(1,863,095)**	**(293,348)**	**(26,581)**	**(2,183,024)**	(1,589,288)	(477,716)	(29,055)	(2,096,059)
Depreciation of right-of-use assets	**(175,475)**	**(74,169)**	**(53,687)**	**(303,331)**	(140,258)	(89,710)	(44,856)	(274,824)
Unallocated income**	**-**	**-**	**263,426**	**263,426**	-	-	459,591	459,591
General and administrative expenses *	**-**	**-**	**(2,226,187)**	**(2,226,187)**	-	-	(1,734,351)	(1,734,351)
Tax expenses	**-**	**-**	**(353,754)**	**(353,754)**	-	-	(251,912)	(251,912)
Directors' remuneration	**-**	**-**	**(109,289)**	**(109,289)**	-	-	(77,458)	(77,458)
Profit (loss) for the year	**9,212,467**	**117,706**	**(2,506,072)**	**6,824,101**	5,144,164	1,368,369	(1,678,041)	4,834,492

** Those amounts exclude depreciation expense and depreciation of right-of-use assets.*

*** Unallocated income includes interest income, net investments income and other income.*

24 SEGMENT INFORMATION (continued)

The following table presents segment assets information in respect of the Group's business segments:

	At 31 December 2022			*At 31 December 2021*		
	Oil field services KD	***Non-oil field services KD***	***Total KD***	*Oil field services KD*	*Non-oil field services KD*	*Total KD*
Segment assets	**51,155,709**	**1,382,864**	**52,538,573**	44,429,145	1,604,887	46,034,032
Unallocated assets			**613,041**			1,406,279
			53,151,614			47,440,311
Segment liabilities	**10,801,466**	**86,848**	**10,888,314**	8,555,220	43,269	8,598,489

25 RELATED PARTY DISCLOSURES

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

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

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*
Salaries and other short-term benefits	**448,072**	361,379	**174,705**	128,100
Employees' end of service benefits	**48,869**	15,839	**208,179**	159,310
	496,941	377,218	**382,884**	287,410

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 109,289 for the year ended 31 December 2022 (2021: KD 77,458). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company. The proposed directors' remuneration for year ended 31 December 2021 were approved by shareholders at AGM held on 20 April 2022.

Transactions with related parties included in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Entities under common control KD	***2022 Total KD***	*2021 Total KD*
Cost of sales and services rendered	**76,047**	**76,047**	38,708
General and administrative expenses	**24,358**	**24,358**	-

Balances with related parties included in the consolidated statement of financial position are as follows:

	Entities under common control KD	***2022 Total KD***	*2021 Total KD*
Financial assets at fair value through profit or loss	**437**	**437**	-
Bank balances	**18,299**	**18,299**	-
Accounts payable and accruals	**95,937**	**95,937**	-

Balances with related parties included in the commitment and contingent liabilities (Note 23) are as follows:

	Entities under common control KD	***2022 Total KD***	*2021 Total KD*
Contingent liabilities			
Letter of guarantees	**2,152,036**	**2,152,036**	-

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2022 and 31 December 2021. The management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

26.1 Credit risk

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

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 2022 and 2021.

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 98% of outstanding trade receivables at 31 December 2022 (2021: 98%).

The Group predominantly transacts with government entities. The Group considers its customers to have low credit risk as credit risk ratings assigned by international credit-rating agencies is equivalent to the globally understood definition of 'investment grade' (i.e. Baa2/ BBB and above).

Trade receivables and contract assets

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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 Group does not hold collateral as security.

The Group evaluates the concentration of risk with respect to contract assets as low, as it deals with high profile customers.

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

	Trade receivables and contract assets					
	Contract assets KD	***Current KD***	***<90 days KD***	***91-180 days KD***	***>180 days KD***	***Total KD***
2022						
Expected credit loss rate	**0.02%**	**0.41%**	**1.15%**	**3.09%**	**42.69%**	
Estimated gross carrying amount at default	**6,362,219**	**2,809,660**	**2,631,843**	**1,185,512**	**797,115**	**13,786,349**
Estimated credit loss	**(1,536)**	**(11,504)**	**(30,137)**	**(36,644)**	**(340,308)**	**(420,129)**
Net amount	**6,360,683**	**2,798,156**	**2,601,706**	**1,148,868**	**456,807**	**13,366,220**

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 Credit risk (continued)

Trade receivables and contract assets (continued)

	Trade receivables and contract assets					
	Contract assets KD	*Current KD*	*<90 days KD*	*91-180 days KD*	*>180 days KD*	*Total KD*
2021						
Expected credit loss rate	0.04%	0.81%	1.06%	1.71%	5.73%	
Estimated gross carrying amount at default	4,308,654	1,416,430	2,841,706	2,146,772	2,204,084	12,917,646
Estimated credit loss	(1,536)	(11,504)	(30,137)	(36,644)	(126,185)	(206,006)
	4,307,118	1,404,926	2,811,569	2,110,128	2,077,899	12,711,640

Bank balances and term deposits

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

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

Other receivables

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

26.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis. The Group's credit sales require amounts to be paid within 60 days of the date of invoice and trade payables are normally settled within 60 to 90 days from the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December based on contractual payment dates.

31 December 2022	***Less than 3 months KD***	***3 to 12 months KD***	***More than 12 months KD***	***Total KD***
Accounts payable and accruals (excluding advances received from client)	**1,416,652**	**5,283,991**	-	**6,700,643**
Lease liabilities	**76,975**	**154,132**	**170,235**	**401,342**
31 December 2021				
Accounts payable and accruals (excluding advances received from client)	1,491,642	3,477,253	-	4,968,895
Lease liabilities	47,690	143,070	73,967	264,727

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.3 Market risk
Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign currency exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market. Financial instruments affected by market risk include managed funds.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

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

Financial instruments, which potentially subject the Group to interest rate risk, consist principally of cash and cash equivalents and term deposits. The Group's terms deposits are short-term in nature and yield interest at commercial rates. Therefore, the Group believes there is minimal risk of significant losses due to interest rate fluctuations.

As at the reporting date, the Group does not hold interest bearing liabilities.

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

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

Exposure to currency risk
The Group incurs foreign currency risk on purchases and certain assets and liabilities that are denominated in a currency other than Kuwaiti Dinar. The currency giving rise to this risk is primarily US Dollar. At the reporting date, the Group's net exposure in foreign currency in US Dollar is KD 1,317,405 (2021: KD 734,040).

Foreign exchange rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables constant.

		Effect on profit	
	Change in exchange rate	***2022***	*2021*
Currency		***KD***	*KD*
US Dollars	**5%**	**65,870**	36,702

A 5% decrease of above currency against Kuwaiti Dinar would have had equal, but opposite, effect of amount shown above, on the basis that all other variables remain constant.

26.3.3 Equity price risk
The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to non-listed investments at fair value was KD 612,604 (2021: KD 1,406,279).

27 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

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

Unlisted managed funds
The Group invests in managed funds which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these investee funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the investee fund and fund manager. The Group classifies these funds as Level 3.

27 FAIR VALUE MEASUREMENT (continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Fair value measurement using		
	Quoted prices in active markets (Level 1) KD	***Significant unobservable inputs (Level 3) KD***	***Total KD***
31 December 2022			
Financial assets at fair value through profit or loss			
Equity securities and Managed funds & other securities	**437**	**612,604**	**613,041**
31 December 2021			
Financial assets at fair value through profit or loss			
Managed funds and other securities	-	1,406,279	1,406,279

There were no transfers between any levels of the fair value hierarchy during 2022 or 2021.

Other financial assets and liabilities
For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: trade and other receivables; cash and cash equivalents; account and other payables.

Reconciliation of Level 3 fair values
The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	2022 KD	*2021 KD*
As at 1 January	**1,406,279**	936,073
Sales /purchases (net)	**(301,437)**	608,000
Remeasurement (loss) recognised in profit or loss	**(492,238)**	(137,794)
As at 31 December	**612,604**	1,406,279

The impact on the consolidated statement of financial position or the consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variables used to fair value the funds were altered by 5%.

28 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder 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 to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 42,263,290 as at 31 December 2022 (2021: KD 38,841,808).

29 DISTRIBUTIONS MADE AND PROPOSED

	2022	*2021*
	KD	*KD*
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2021: 35 fils per share (2020: 64 fils per share)	**3,395,000**	6,208,000
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2022: 50 fils per share (2021: 35 fils per share)	**4,850,000**	3,395,000

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December. The 2021 proposed dividends were approved at the AGM on 20 April 2022 and 2020 proposed dividends were approved at the AGM on 22 April 2021.

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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 practices.

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