METAL AND RECYCLING COMPANY K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH
INDEPENDENT AUDITORS' REPORT

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Metal and Recycling Company - K.S.C. (Public) and its subsidiaries
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Metal and Recycling Company - K.S.C. (Public) (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and 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 December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note (26) regarding the right of utilization of a land leased by the Group and settled within the Associate Company.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters. The following is the key audit matter that we have identified and how it was addressed in the context of our audit:

RSM

Valuation of Investment Property

Investment properties as of December 31, 2021, amounting to KD 1,420,000 (2020: KD 2,342,000) represent a significant part of the Group's total assets. The valuation of the investment property is highly dependent on estimates. We therefore identified the valuation of investment property as a significant risk. The Group policy is that property valuations are performed by licensed valuers at least once a year. These valuations are amongst others based on assumptions, such as estimated rental revenues, discount rates, occupancy rates, market knowledge, developers' risk, and historical transactions. In estimating the fair value of investment properties, valuers had used the valuation techniques as the capitalization of income method and comparison of market prices and had considered the nature and usage of the investment properties. We reviewed the valuation reports from the licensed valuers. We further focused on the adequacy of the disclosures on the valuation of investment properties. Disclosures of this item are included in Note (9) to the consolidated financial statements

Other Information included in the group's annual report for the financial year ended December 31, 2021

Management is responsible for the other information, the other information consists of the information included in the Group's annual report for the year 2021, other than the consolidated financial statements and the auditor's report thereon. We did not obtain the group's annual report, which also includes the report of the Board of Directors, before the date of the auditor's report, and we expect to obtain these reports after the date of the auditor's report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or information that we obtained through the audit, or otherwise, It contained material errors. If through our work, we find that other information contains material errors, we are required to disclose that in our report. We have nothing to disclose in this regard. Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, We obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association as amended, have occurred during the year ended December 31, 2021, that might have had a material effect on the business or financial position of the Parent Company, except for the Group ownership of investment properties and conducting rental activities, not disclosed in the Parent Company Articles of Association.

Furthermore, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended December 31, 2021, that might have had a material effect on the Group's financial position or results of its operations.

Nayef M. Al Bazie
License No. 91-A
RSM Albazie & Co.

State of Kuwait
March 30, 2022

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(All amounts are in Kuwaiti Dinars)

ASSETS	Notes	2021	2020
Current assets:			
Cash and cash equivalents	3	**4,062,273**	3,487,748
Time deposits	4	**1,090,296**	1,076,769
Accounts receivable and other debit balances	5	**4,495,511**	4,625,214
Due from related parties	6	**241,375**	400,976
Inventories	7	**757,990**	741,350
Total current assets		**10,647,445**	10,332,057
Non-current assets:			
Financial assets at fair value through profit and loss		**34,972**	34,972
Investment in an associate	8	**6,023,828**	5,465,720
Investment properties	9	**1,420,000**	2,342,000
Property, plant, and equipment	10	**3,106,521**	1,634,795
Right for use of assets	11	**2,531,136**	2,371,124
Goodwill		**406,889**	406,889
Total non-current assets		**13,523,346**	12,255,500
Total assets		**24,170,791**	22,587,557
LIABILITIES AND EQUITY			
Current liabilities:			
Due to banks		**210,781**	-
Finance lease payables	12	**350,000**	970,000
Term loans	13	**1,058,000**	1,158,000
Lease liabilities	14	**608,845**	672,133
Accounts payable and other credit balances	15	**2,981,658**	4,727,030
Due to related parties	6	**2,206,621**	847,688
Total current liabilities		**7,415,905**	8,374,851
Non-current liabilities:			
Term loans	13	**3,876,183**	636,846
Lease liabilities	14	**2,281,411**	1,878,844
Provision for end of service indemnity	16	**1,114,245**	1,021,963
Total non - current liabilities		**7,271,839**	3,537,653
Total liabilities		**14,687,744**	11,912,504
Equity:			
Share capital	17	**10,000,000**	10,000,000
Statutory reserve	18	**1,520,581**	1,520,581
Treasury shares	20	**(1,056,623)**	(1,056,623)
Effect of changes in subsidiary's equity		**402,450**	402,450
Accumulated losses		**(3,828,110)**	(2,567,797)
Equity attributable to Parent Company's shareholders		**7,038,298**	8,298,611
Non-controlling interests		**2,444,749**	2,376,442
Total equity		**9,483,047**	10,675,053
Total liabilities and equity		**24,170,791**	22,587,557

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements.

Mosaed Ibrahim Al-Holi	Tarek Ibrahim Mohamed Al-Mousa
Chairman	Vice Chairman and C.E.O

	Notes	2021	2020
Revenues:			
Net sales		**3,071,726**	7,077,549
Service revenues		**11,493,123**	11,118,515
		14,564,849	18,196,064
Expenses:			
Cost of sales		**(2,113,407)**	(5,065,115)
Service costs		**(8,807,511)**	(8,072,636)
		(10,920,918)	(13,137,751)
Gross profit		**3,643,931**	5,058,313
Staff costs		**(1,559,839)**	(1,715,040)
General and administrative expenses	21	**(2,681,785)**	(2,681,316)
Selling and marketing expenses		**(181,230)**	(509,008)
Depreciation	10	**(74,626)**	(174,679)
Allowance for expected credit losses	5 – b	**(309,194)**	(119,737)
Inventory written-off		**-**	(350,120)
Amortization of right of use assets	11	**(279,153)**	(271,632)
Total expenses and charges		**(5,085,827)**	(5,821,532)
Loss from operations		**(1,441,896)**	(763,219)
Share of results from associate	8	**558,108**	8,970
Property, plant and equipment written-off		**-**	(1,138,679)
Change in fair value of financial assets at fair value through profit or loss		**-**	(130,014)
Changes in fair value of investment properties	9	**4,000**	(48,000)
Gain on sale of investment properties	9	**34,000**	-
Interest income		**15,437**	27,810
Finance charges		**(330,279)**	(321,930)
Foreign exchange loss		**(7,992)**	(16,901)
Gain on sale of property, plant and equipment		**14,701**	400
Other income	22	**271,915**	305,329
Loss for the year		**(882,006)**	(2,076,234)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(882,006)**	(2,076,234)
Attributable to:			
Shareholders of the Parent Company		**(1,260,313)**	(2,488,014)
Non-controlling interests		**378,307**	411,780
		(882,006)	(2,076,234)
		Fils	Fils
Basic and diluted loss per share attributable to shareholders of the Parent Company	23	**(14)**	(28)

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders							
	Share capital	Statutory reserve	Treasury shares	Effect of change in subsidiary's equity	Accumulated losses	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2020	10,000,000	1,520,581	(1,056,623)	402,450	(79,783)	10,786,625	1,964,662	12,751,287
Total comprehensive (loss) income for the year	-	-	-	-	(2,488,014)	(2,488,014)	411,780	(2,076,234)
Balance as of December 31, 2020	10,000,000	1,520,581	(1,056,623)	402,450	(2,567,797)	8,298,611	2,376,442	10,675,053
Total comprehensive (loss) income for the year	-	-	-	-	(1,260,313)	(1,260,313)	378,307	(882,006)
Cash dividends to non-controlling interests	-	-	-	-	-	-	(310,000)	(310,000)
Balance as of December 31, 2021	**10,000,000**	**1,520,581**	**(1,056,623)**	**402,450**	**(3,828,110)**	**7,038,298**	**2,444,749**	**9,483,047**

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements.

METAL AND RECYCLING COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts are in Kuwaiti Dinars)

	Notes	2021	2020
Cash flows from operating activities:			
Loss for the year		**(882,006)**	(2,076,234)
Adjustments for:			
Depreciation	10	**351,628**	593,805
Allowance for expected credit losses	5 - b	**309,194**	119,737
Inventory written-off	7	**-**	350,120
Gain on sale of property, plant and equipment		**(14,701)**	(400)
Property, plant and equipment written-off		**-**	1,138,679
Rent concession	14	**(9,180)**	-
Gain from disposal of lease contracts	22	**-**	(3,963)
Share of results from associate	8	**(558,108)**	(8,970)
Amortization of right of use assets	11	**491,184**	485,379
Change in fair value and financial assets at fair value through profit or loss		**-**	130,014
Changes in fair value of investment properties	9	**(4,000)**	48,000
Gain on sale of investment properties	9	**(34,000)**	-
Interest income		**(15,437)**	(27,810)
Finance charges		**336,233**	338,830
Provision for end of service indemnity	16	**252,447**	244,149
		223,254	1,331,336
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**780,509**	(643,921)
Due from related parties		**159,601**	(48,600)
Inventories		**(16,640)**	428,760
Due to related parties		**1,358,933**	100,078
Accounts payable and other credit balances		**(1,745,372)**	1,093,652
Cash flows generated from operations		**760,285**	2,261,305
Payment for end of service indemnity	16	**(160,165)**	(150,468)
Net cash flows generated from operating activities		**600,120**	2,110,837
Cash flows from investing activities:			
Movement in term deposits		**(13,527)**	(29,066)
Purchase of property, plant and equipment	10	**(1,833,069)**	(1,429,084)
Proceeds from sale of property, plant and equipment		**24,416**	400
Interest income received		**15,437**	27,810
Net cash flows used in investing activities		**(1,806,743)**	(1,429,940)
Cash flows from financing activities:			
Net movement in due to banks		**210,781**	(518,287)
Net movement in term loan		**3,139,337**	1,044,846
Net movement in finance lease payables		**(620,000)**	(225,000)
Payments of lease liabilities	14	**(410,100)**	(423,429)
Dividends paid		**(310,000)**	-
Finance charges paid		**(228,870)**	(216,441)
Net cash flows generated from (used in) financing activities		**1,781,148**	(338,311)
Net increase in cash and cash equivalents		**574,525**	342,586
Cash and cash equivalents at beginning of the year		**2,880,959**	2,538,373
Cash and cash equivalents at end of the year	3	**3,455,484**	2,880,959

The accompanying notes (1) to (32) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Metal and Recycling (the “Parent Company”) is a Kuwaiti Public Shareholding Company, registered in the State of Kuwait, and was incorporated pursuant to Memorandum of Incorporation under Ref. No. 113 / Volume 17, dated June 10, 1987, and its subsequent amendments, the latest of which was notarized in the commercial registration under Ref. No. 12320 dated on August 15, 2018.

The main activities of the Parent Company are as follows:

- Purchase and sale of used and scrap machinery and vehicles and their spare parts and all kinds of metals and their derivatives as well as representing specialized companies in such activities.
- Purchase and sale of the scrap of houses, industrial and commercial projects, including household tools, machinery, metal construction and other local scrap.
- Shredding, classifying; storing and selling waste and scrap inside and outside State of Kuwait.
- Importing machinery and materials necessary for recycling, shredding and storing scrap.
- Carrying out all trade, export and production relating to the company’s objectives inside and outside State of Kuwait.
- Establishing complementary industries to the trade and production of scrap.
- Management and development of areas of sale, purchase, production, and manufacture scrap and used materials and ancillary industries inside and outside State of Kuwait.
- Carrying out all demolishing and removal works for construction and representing companies in such field.
- Utilization of the company’s surplus funds by investing in portfolios managed by specialized companies.
- Holding and managing auctions related to the objectives of the company locally and internationally and representing companies in such field.
- Developing, preparing, establishing, managing and operating industrial and professional areas.
- Incorporation and partial ownership of industrial companies and industrial management companies inside and outside State of Kuwait.
- Collection, transportation and utilization of trash waste, garbage and wreckage inside and outside State of Kuwait.
- Undertaking all kind of cleaning contracts and commitment for all agencies inside and outside State of Kuwait.
- Undertaking all kinds of services aiming at cleaning, developing and protecting the environment against pollution inside and outside State of Kuwait.
- Establishing, managing or maintaining all drainage and dumping centers and trading in the resulting materials inside and outside State of Kuwait.
- Establishing industries for recycling environmental waste, garbage and wreckage inside and outside Kuwait (with approval of the Public Authority for Industry).

The address of the Parent Company’s registered office is P.O. Box 4520, Safat 13045, State of Kuwait.

The Parent Company is 66.48% owned by Agility Public Warehousing Company – K.S.C.P., listed in the Kuwait Boursa (“the ultimate Parent Company”).

The consolidated financial statements of the Group were authorized for issue by the Parent Company’s Board of Directors on March 30, 2022 and are subject to the approval of the Shareholders' Annual General Assembly, which has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

a) Basis of preparation
The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost basis, except for, financial assets at fair value through profit or loss and investment properties, stated at their fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(y). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2020, the continued impact of the COVID – 19 outbreak on the Group is detailed in Note 32.

Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2021:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).
The amendments include the following practical expedients:

a. A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to interest rate, equivalent to a movement in a market rates.
b. Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
c. Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Amendments to IFRS 16 – COVID – 19 Related Rent Concessions
COVID-19-Related Rent Concessions, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in consolidated financial statements not authorized for issue on May 28, 2020.

a) The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The adoption of these amendments had no material impact on the consolidated financial statements of the Group.

New and revised IFRS Standards in issue but not yet effective
At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued on 29 March 2018 without significantly changing its requirements.

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
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 consolidated profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

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

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

Annual Improvements to IFRS Standards 2018-2020 cycle
The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
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 between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 Presentation of Financial Statements — Disclosure of Accounting Policies
The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those consolidated financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:
- A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after I January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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.

These standards and amendments are not expected to have a material impact on the consolidated financial statements of the Group.

b) Basis of consolidation:
The basis of consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

			Percentage of holding %	
	Country of incorporation	Principal activities	**2021**	2020
Al Maaden Al Wataniya General Trading & Contracting Company – Sole Proprietorship	State of Kuwait	General trading and contracting	**100**	99
Al Maaden Al Omomiyah General Trading & Contracting Company – Sole Proprietorship	State of Kuwait	General trading and contracting	**100**	99
Metal Holding Company – Sole Proprietorship and its subsidiaries:	State of Kuwait	General trading and contracting	**100**	99
- United Engineering Company - W.L.L.	State of Kuwait	General trading and contracting	**70**	70
- United Kawoosh for General Trading and Contracting Company - Sole Proprietorship	State of Kuwait	General trading and contracting	**100**	99
Silver Ocean Company – Ali Hussain and Partners – W.L.L. and its subsidiary:	State of Kuwait	Cleaning roads, buildings and cities clean contractors	**60**	60
- International Technical Center for General Trading Company – W.L.L.	State of Kuwait	General trading and contracting	**60**	60

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee.
- has the ability to use its power to affect its returns.

The Parent Company reassess 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 listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Current vs 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 be sold or consumed in the 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

The Group classifies all other assets are as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

d) <u>Financial instruments</u>

The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, time deposits, Murabaha investments, receivables, financial assets at fair value through profit or loss, due to banks, finance lease payable, lease liabilities, due from/ due to related parties, term loans and other payables.

- **Financial assets:**

I. <u>Classification of financial assets</u>

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

<u>Business model assessment</u>

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Initial recognition
Purchases and sales of those financial assets are recognized on settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Derecognition
A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets
The Group classifies its financial assets upon initial recognition into the following categories:
- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at fair value through profit or loss (FVTPL)

Debt instruments at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Cash and cash equivalents, time deposits, trade receivables, Murabaha investment and other assets are classified as debt instruments at amortized cost.

1) Cash and cash equivalents:
   Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2) Time deposits
Time deposits are placed with banks and have a contractual maturity of more than three months.

3) Trade receivable:
Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment as at FVTOCI on initial recognition (see above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECL) 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. The shortfall is then discounted at an approximation to the asset’s 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.

For Contract assets and Trade and other receivables, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship, where applicable.

For debt instruments classified at FVOCI, related party balances and inter-company loans, the Group has applied a forward looking approach wherein recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- Stage 3' (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

In assessing whether the credit quality on a financial instrument has deteriorated significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

- **<u>Financial liabilities</u>**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVPL or at amortized cost using effective interest rate method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is

(i) contingent consideration of an acquirer in a business combination,
(ii) held for trading or
(iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities that are not at FVTPL as above are measured subsequently at amortized cost using the effective interest method.

1) Accounts payable

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

2) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

- Offsetting of financial assets and liabilities

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

e) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials, direct labor 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 realizable 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 realizable value.

f) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs. Subsequent to the initial recognition, investment properties are stated at their fair value at the end of the reporting period. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

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

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

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

g) <u>Investment in associates</u>
Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

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

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group interest in the associate.
Any excess of the cost of acquisition over the Group share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired and determine if necessary, to recognize any impairment loss with respect to the investment. If there is such evidence, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

h) <u>Goodwill</u>
Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previously held interest, over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that re-measurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i) <u>Property, plant and equipment</u>

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

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

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

	Years
Buildings	10 - 20
Leasehold improvements	10
Machinery and equipment	5 - 10
Motor vehicles	3 - 5
Office furniture and equipment	3 - 5

Capital work in progress is stated at cost. Following completion, it will be transferred to relevant category under property, plant and equipment.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

j) Impairment of non – financial assets

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of financial period and approximates the present value of the final obligation.

l) Dividend distribution to shareholders

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized, and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent Company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of the consolidated statement of financial position.

m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

n) Treasury shares

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

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, 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.

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

o) Revenue from contracts with customers

Revenue from contracts with customers is recognized 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 Group applies a five-step model are as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.

- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

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

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.

Revenue for the Group arises from the following activities:

Sale of goods
Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when or as the Group transfers control of the goods to the customer. For standalone sales, that are neither customized by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods.

Rendering of services
Revenue is recognized when the service is rendered.

Interest income and expense
Interest income and expense are recognized using the effective interest method.

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

Rental income
Rental income is recognized, when earned, on a time apportionment basis.

Other income
Other income is recognized on accrual basis.

p) Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and 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. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are not recognized for future operating losses.

q) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are

expensed in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

r) Leases

Group as a lessor
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (if any). All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance lease
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) Operating lease
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as a lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

(i) Right of use assets
The Group recognizes 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 recognized, 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 recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

(ii) Lease liabilities
At the commencement date of the lease, the Group recognizes 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 recognized 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 profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

s) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of income from shareholding subsidiaries and associates, transfer to statutory reserve, and any accumulated losses. No KFAS has been provided for the year. No KFAS has been provided for the year ended December 31, 2021 since there was no eligible profit on which KFAS could be calculated.

t) National Labor Support Tax (NLST)
National Labor Support Tax (NLST) is calculated at 2.5% or the profit attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from associates & un-consolidated subsidiaries listed in Kuwait Stock Exchange, its share of NLST paid by subsidiaries listed in Kuwait Stock Exchange, and cash dividends received from companies listed in Kuwait Stock Exchange in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations. No NLST has been provided for the year ended December 31, 2021 since there was no eligible profit on which NLST could be calculated.

u) Zakat
Zakat is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations. No Zakat has been provided for since there was no eligible profit on which Zakat could be calculated for the year ended December 31, 2021.

v) Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value through consolidated statement of profit or loss are reported as part of the fair value gain or loss.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

w) Contingencies

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

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

x) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

y) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note (2-o) are met requires significant judgment.

(ii) Determination of contract costs

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long-term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

(iii) Classification of Land

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

1) Properties under development:

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress:

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading:

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties:
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(iv) Allowance for expected credit losses and inventory
The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(v) Classification of financial assets
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 - c).

(vi) Control assessment
When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Parent Company's power to affect the investee's variable returns requires significant judgment.

(vii) Significant influence assessment
When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's board of directors, participation in policy making decisions and material transactions between the investor and investee.

(viii) Material non-controlling interests
The Group's management considers any non-controlling interests which accounts for 5% or more of the related subsidiary's equity as material.

(ix) Leases
Critical judgements required in the application of IFRS 16 include, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement,.
- Determining the stand-alone selling prices of lease and non-lease components.

b) Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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 discussed below:

(i) Fair value of unquoted financial assets
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Useful lives of depreciable assets
The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

(iii) Impairment of Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iv) Provision for allowance for expected credit losses and inventories
The extent of Allowance for expected credit losses and inventories involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

(v) Valuation of investment properties
The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of profit or loss.

Two main methods were used to determine the fair value of the investment properties:
(a) Income approach, where the property's value is estimated based on its income produced and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

(vi) Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(vii) Leases
Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:
- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

3. Cash and cash equivalents

	2021	2020
Cash on hand and at banks	**3,693,484**	3,218,364
Short term bank deposits	**368,789**	269,384
	4,062,273	3,487,748
Less: cash restricted against letters of guarantee	**(606,789)**	(606,789)
Cash and cash equivalents as represented for the consolidated statement of cash flows	**3,455,484**	2,880,959

The effective interest rate on short term bank deposits was 1% (2020: 1%) per annum; these deposits have an average contractual maturity of 31 days (2020: 32 days).

As of December 31, 2021, cash restricted by banks amounting to KD 606,789 (2020: KD 606,789) held against certain letters of guarantee in favor of the Group.

4. Time Deposits

The effective interest and return rate on time deposits ranges from 1.125% to 1.250% per annum (2020: from 1.250% to 1.375% per annum) and these deposits have an average maturity of 185 - 365 days (2020: 185 days).

Time deposits amounting to KD 869,415 as of December 31, 2021 (2020: KD 918,990) are pledged against certain letters of guarantee.

5. Accounts receivable and other debit balances

	2021	2020
Trade receivables (a)	**10,796,390**	11,591,088
Less: Provision for expected credit losses (b)	**(8,275,948)**	(8,233,112)
Net trade receivables	**2,520,442**	3,357,976
Advance payments to suppliers	**897,734**	928,062
Less: Provision for expected credit losses (b)	**(845,191)**	(845,191)
Net advanced payments to suppliers	**52,543**	82,871
Retention receivables (a)	**1,197,570**	1,000,381
Less: Provision for expected credit losses (b)	**(470,845)**	(234,516)
Net retention receivables	**726,725**	765,865
Due from sale of investment property (c)	**440,000**	-
Prepaid expenses	**353,168**	69,599
Refundable deposits	**116,519**	264,702
Staff receivables	**221,333**	23,354
Others	**64,781**	60,847
	4,495,511	4,625,214

a) Trade receivables and retentions

Trade receivables are non-interest bearing and are generally due within 90 days.

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables, advance payments to suppliers, retention receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables and retention receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on payment profile for sales over the past 48 months or ageing profile of customers over the past 1 to 5 years before December 31, 2021 and January 1, 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current year. During the year ended December 31, 2021, the Group's management re-assessed the expected credit loss rates for its customers.

Trade receivables are written off (i.e., derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

The following table details the risk profile of trade receivables and retentions based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

		Past due				
2021	**Less than 90 days**	**91 – 180 days**	**181 – 365 days**	**More than 365 days**	**Impaired**	**Total**
Expected credit loss rate	**2.37%**	**6.30%**	**7.56%**	**45.34%**	**100%**	
Gross carrying amount	**2,374,861**	**312,267**	**344,984**	**676,259**	**9,183,323**	**12,891,694**
Lifetime expected credit loss	**56,284**	**19,673**	**26,089**	**306,615**	**9,183,323**	**9,591,984**

		Past due				
2020	Less than 90 days	91 – 180 days	181 – 365 days	More than 365 days	Impaired	Total
Expected credit loss rate	3.25%	8.14%	9.77%	38.14%	100%	
Gross carrying amount	3,137,473	180,262	351,234	1,113,207	8,737,355	13,519,531
Lifetime expected credit loss	101,900	14,674	34,309	424,581	8,737,355	9,312,819

As of December 31, 2021, trade receivables, advance payment to suppliers, and retention receivables amounting to KD 1,333,510 (2020: KD 1,644,703) were past due but not impaired. These relate to a number of independent customers in addition to governmental entities for whom there is no recent history of default.

b) Allowance for expected credit losses:
The movement in the Allowance for expected credit losses was as follows:

	2021	2020
Balance at the beginning of the year	**9,312,819**	9,193,082
Charged for the year	**309,194**	119,737
Utilized during the year	**(30,029)**	-
Balance at the end of the year	**9,591,984**	9,312,819

c) Due from sale of an investment property represents cash consideration amounting of KD 960,000, net of Iqara finance installments of KD 520,000 as of December 31, 2021 related to a property (Note 9), where the Group set off the cash consideration amount and Iqara finance installments, as the lending Bank collected the cash consideration from the buyer, and paid the due amount to the Group, amounting to KD 440,000, after deducting the Iqara finance installments, during the subsequent period of the accompanying consolidated financial statements.

6. Related party disclosures

The Group has entered into various transactions with related parties, i.e. Major shareholders, Board of Directors, key management personnel, associate and entities under common control and other related parties in the normal course of its business. Prices and terms of payment are approved by Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:

	Major shareholder	Associate	Common control	Others	Total **2021**	Total 2020
Due from related parties	-	1,000	8,000	232,375	**241,375**	400,976
Due to related parties	(2,141,516)	-	(65,105)	-	**(2,206,621)**	(847,688)
Accrued expenses	(180,000)	-	-	-	**(180,000)**	(180,000)
Term loan (Note 13)	-	-	(2,884,500)	-	**(2,884,500)**	-

Amounts due from / to related parties do not carry interest and there is no specific due date.

The Shareholders' Annual Ordinary General Assembly held on June 25, 2020, approved a convertible loan agreement for a ceiling amount of KD 10,000,000, from Agility International Investment Company W.L.L. (A subsidiary to the Ultimate Parent Company). During the period the Parent Company withdrew KD 2,884,500 from the related party. The loan is due after 60 months in cash or if the lender elects to convert it to ordinary shares (Note 13).

Transactions included in the consolidated statement of profit or loss:

	Major shareholder	Companies under common control	**2021**	2020
Finance charges	108,250	-	**108,250**	-
General and administrative expenses	-	71,333	**71,333**	123,107

Compensation to key management personnel:	**2021**	2020
Short term benefits	**515,060**	245,648
Terminal benefits	**18,600**	10,680
	533,660	256,328

7. Inventories

	2021	2020
Spare parts and scrap materials – raw materials	**381,307**	394,632
Scrap material – manufactured	**1,129,418**	1,281,532
Goods in stores	**50,907**	218,948
	1,561,632	1,895,112
Less: Provision for damaged and slow-moving inventory (a)	**(803,642)**	(803,642)
Less: Inventory written-off	**-**	(350,120)
	757,990	741,350

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8. Investment in an associate

This item represents an investment of 40% in Real Estate Development Company – W.L.L.(REDCO), which is engaged in the management and development of different kinds of properties, the main project that the company specialized in is managing properties located in Amghara and Mina Abdullah areas, utilized by the Parent Company pursuant to a contract with the Public Authority for Industry.

Name of the associate	Country of Incorporation	Principal activities	Percentage of ownership % 2021	Percentage of ownership % 2020	2021	2020
Real Estate Development Co. W.L.L.	State of Kuwait	General Trading and Contracting	**40%**	40%	**6,023,828**	5,465,720

The movement during the year is as follows:

	2021	2020
Balance at the beginning of the year	**5,465,720**	5,456,750
Group's share of results from associate	**558,108**	8,970
Balance at the end of the year	**6,023,828**	5,465,720

The summarized financial statements for the associate are as follows:

Summarized statement of financial position:

	2021	2020
Assets:		
Current assets	**1,259**	1,559
Non-current assets	**20,000,000**	18,601,055
Total assets	**20,001,259**	18,602,614
Liabilities:		
Current liabilities	**24,450**	22,050
Non-current liabilities	**4,917,237**	4,916,262
Total liabilities	**4,941,687**	4,938,312
Net Assets	**15,059,572**	13,664,302
Group's ownership percentage in Real Estate Development Co. W.L.L.	**40%**	40%
Group's share in associate's net assets	**6,023,828**	5,465,720

Summarized statement of profit or loss and other comprehensive income

	2021	2020
Changes in fair value of investment properties	**9,955,345**	26,600
Impairment losses of an investment property *	**(8,556,400)**	-
Other expenses	**(3,675)**	(4,175)
Net income	**1,395,270**	22,425
Other comprehensive income	**-**	-
Total other comprehensive income	**1,395,270**	22,425
Group's share of results from an associate	**558,108**	8,970

* During the year ended December 31, 2020, the financial statements of the Associate Company - Real Estate Development Company – W.L.L. ("REDCO") included an investment property located in the South Amghara region, on which the factory, buildings and operations of the Parent Company were placed, for a value of KD 8,556,400 as of December 31, 2020, where the Buildings attached to the factory and the Administrative building of the Parent Company were demolished by the Kuwait Municipality, enforcing the recommendation issued by the Minister of Commerce and Industry on January 25, 2021, to remove and evacuate the Parent Company from the said location in South Amghara. During the current financial year, the Associate Company recorded impairment losses for the entire value of the investment property removed.

9. Investment properties

	2021	2020
Balance at the beginning of the year	**2,342,000**	2,390,000
Disposals	**(926,000)**	-
Changes in fair value	**4,000**	(48,000)
Balance at the end of the year	**1,420,000**	2,342,000

- During the year ending on December 31, 2021, pursuant to a property sale contract signed on September 16, 2021, the Group's management sold an investment property with a carrying value of KD 926,000, in return for an amount of KD 960,000 collected net during the subsequent period to the accompanying consolidated financial statements after deducting installments of Iqara finance related to the property amounting to KD 520,000 as on December 31, 2021 (Note 5 - c), the sale resulted in a gain of KD 34,000, reported in the consolidated statement of profit or loss for the year ended December 31, 2021.
- The fair value of investment property as of December 31, 2021, amounted to KD 1,420,000 (2020 – KD 2,342,000). based on valuations performed by independent valuers using recognized valuation techniques and principles.

- In estimating the fair value of investment properties, the valuers had used the valuation techniques listed in the following schedule and had considered the nature and usage of the investment properties:

		2021	
Class of investment property	**Valuation technique**	**Levels of fair value hierarchy**	**Fair value**
Residential buildings	**Income capitalization**	**Level 3**	**1,420,000**

		2020	
Class of investment property	Valuation technique	Levels of fair value hierarchy	Fair value
Residential buildings	Income capitalization	Level 3	2,342,000

- Management of the Group has complied with the Executive Regulations of Capital Markets Authority with respect to guidelines for valuation of investment properties.

- The investment properties are pledged in favor of a local bank against financial lease contracts (Note 12).

10. Property, plant and equipment

	Buildings	Project under Progress	Leasehold improvements	Machinery and equipment	Motor vehicles	Office furniture and equipment	Total
Cost:							
As at January 1, 2021	99,995	1,040,930	-	665,807	1,807,648	48,432	3,662,812
Additions	-	1,212,378	350,000	70,579	200,112	-	1,833,069
Disposals	-	-	-	(83,425)	(78,092)	-	(161,517)
As at December 31, 2021	**99,995**	**2,253,308**	**350,000**	**652,961**	**1,929,668**	**48,432**	**5,334,364**
Accumulated depreciation:							
As at January 1, 2021	88,635	-	-	552,897	1,339,581	46,904	2,028,017
Charge for the year	1,372	-	14,583	50,153	285,202	318	351,628
Related to disposals	-	-	-	(83,425)	(68,377)	-	(151,802)
As at December 31, 2021	**90,007**	-	**14,583**	**519,625**	**1,556,406**	**47,222**	**2,227,843**
Net book value:							
As at December 31, 2021	**9,988**	**2,253,308**	**335,417**	**133,336**	**373,262**	**1,210**	**3,106,521**
As at December 31, 2020	11,360	1,040,930	-	112,910	468,067	1,528	1,634,795

- One of the Group's buildings is built on land leased from the Public Authority for Industry, which ends on July 1, 2023. Renewable for by a new agreement and consent.
- Projects under progress represent in the construction of a plant to Manage clinical waste resulting from medical institutions and a plant and building for the Parent Company's Headquarters in Mina Abdullah.

Depreciation charged for the year is allocated as follows.

	2021	2020
Cost of sales	**277,002**	419,126
Consolidated statement of profit or loss and other comprehensive income	**74,626**	174,679
	351,628	593,805

11. Right of use of assets

The Group leases several assets including buildings. The average lease term is for 5 to 10 years.

The movement of right to use assets is as follows:

	Buildings	Land	Total
Balance as of January 1, 2020	404,316	107,195	511,511
Additions during the years	136,348	2,318,622	2,454,970
Disposals during the year	(109,978)	-	(109,978)
Amortization charged for the year	(216,698)	(268,681)	(485,379)
Net carrying amount as at December 31, 2020	213,988	2,157,136	2,371,124
Additions during the year	612,594	38,602	651,196
Amortization charged for the year	(213,988)	(277,196)	(491,184)
Net carrying amount as at December 31, 2021	**612,594**	**1,918,542**	**2,531,136**

Amortization charged for the year is allocated as follows.

	2021	2020
Cost of sales	**212,031**	213,747
Consolidated statement of profit or loss and other comprehensive income	**279,153**	271,632
	491,184	485,379

12. Finance lease payables

	2021	2020
Total finance lease installments	**368,328**	977,545
Less: Unamortized future finance charges	**(18,328)**	(7,545)
	350,000	970,000

- The Group has entered into Iqara finance agreements with a local bank to finance the purchase and acquisition of investment properties (Note 9), in exchange for three quarterly payments of KD 25,000 each, and a final payment of KD 275,000 due on August 31, 2022, with an option to buy upon final settlement of contractual payments. Investment properties are registered under the name of the lending bank as collateral for contractual payments.

- The average effective rate of charge was 3% per annum above the Central Bank of Kuwait discount rate as of December 31, 2021 (2020: 3% per annum above the Central Bank of Kuwait discount rate).

13. Term loans

	Due date	Currency	**2021**	2020
Term loan from local bank carrying interest rate of 2.5% over the Central Bank of Kuwait discount rate.	June 30, 2022	KWD	**650,000**	750,000
Term loan from local bank carrying interest rate of 3% over the Central Bank of Kuwait discount rate.	June 30, 2025	KWD	**1,399,683**	1,044,846
Term loan from a related party carrying interest rate of 4% over the Central Bank of Kuwait discount rate. (A)	April 12, 2026	KWD	**2,884,500**	-
			4,934,183	1,794,846

Term loans are secured by an assignment letter for certain project revenues.

(A) On April 12, 2021, the Parent Company signed a loan agreement with a related party company (under common control) (note 6), for a maximum amount of KD 10,000,000, bearing interest rate 4% per annum, over the Central Bank of Kuwait discount rate, due upon which of the following occurs first:

A.
- After the expiration of 5 years from, date April 12, 2021, or,
- When there is a change in the control of the Ultimate Parent company over the Parent Company.

B.
- Upon an early payment request in the event of insolvency or early payment.

The loan is convertible into ordinary shares at a conversion price of 100 fils, on or before the repayment date, at the lender's option.

The term loans are classified as follows:

	2021	2020
Current portion	**1,058,000**	1,158,000
Non-current portion	**3,876,183**	636,846
	4,934,183	1,794,846

14. Lease liabilities

The movement for lease contract liabilities is as follows:

	2021	2020
Balance at the beginning of the year	**2,550,977**	510,988
Additions (Note 11)	**651,196**	2,454,970
Finance charges (a)	**107,363**	122,389
Payments	**(410,100)**	(423,429)
Disposals	**-**	(113,941)
Rent concessions	**(9,180)**	-
Balance at the end of the year	**2,890,256**	2,550,977

The lease liabilities are classified as follows:

	2021	2020
Current portion	**608,845**	672,133
Non-current portion	**2,281,411**	1,878,844
	2,890,256	2,550,977

a) Finance charges for the year is allocated as follows.

	2021	2020
Cost of sales	**5,954**	16,900
Consolidated statement of profit or loss and other comprehensive income	**101,409**	105,489
	107,363	122,389

15. Accounts payable and other credit balances

	2021	2020
Trade payables	**767,152**	680,895
Accrued expenses	**1,160,758**	3,017,745
Staff payables	**35,553**	22,562
Accrued staff leave	**667,303**	635,949
Advance payments from customers	**350,892**	369,879
	2,981,658	4,727,030

16. Provision for end of service indemnity

	2021	2020
Balance at the beginning of the year	**1,021,963**	928,282
Charged during the year	**252,447**	244,149
Paid during the year	**(160,165)**	(150,468)
Balance at the end of the year	**1,114,245**	1,021,963

17. Share capital

Authorized, issued and paid-up capital consists of 100,000,000 (2020: 100,000,000) shares of 100 fils each and all shares are in cash.

18. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and Zakat is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except for cases stipulated by Law and the Parent Company's Articles of Association. Since there is loss for the year as of the end of the year, there was no transfer to statutory reserve during the year.

19. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and Zakat is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. The Shareholders' General Assembly meeting held on May 1, 2001, approved to discontinue annual transfers to the voluntary reserve.

20. Treasury shares

	2021	2020
Number of shares	**9,899,225**	9,899,225
Percentage to paid up shares	**9.89%**	9.89%
Market value (KD)	**940,426**	544,457
Cost (KD)	**1,056,623**	1,056,623

In accordance with the decision of the Capital Markets Authority on December 30, 2013, The Parent Company's Management has allotted an amount equal to treasury shares balance from the reserves as of December 31, 2021. Such amount will not be available for distribution during treasury shares holding period.

21. General and administrative expenses

	2021	2020
Maintenance expenses	**143,490**	235,605
Rents	**639,395**	1,371,284
Professional and consultancy fees	**1,555,738**	496,628
Governmental fees	**88,676**	65,244
Water and electricity charges	**21,416**	50,540
Subscriptions	**16,301**	16,162
Hospitality	**9,861**	14,690
Cleaning expenses	**51,383**	185,503
Others	**155,525**	245,660
	2,681,785	2,681,316

22. Other income

	2021	2020
Rent income	**196,694**	176,805
Gain from disposal of lease agreements	**-**	3,963
Rent concession	**9,180**	-
Others	**66,041**	124,561
	271,915	305,329

23. Basic and diluted loss per share attributable to shareholders of the Parent Company

There are no potential dilutive ordinary shares. The information necessary to calculate basic and diluted loss per share based on the weighted average number of shares outstanding during the year as follows:

	2021	2020
Loss for the year attributable to shareholders of the Parent Company	**(1,260,313)**	(2,488,014)
	Shares	Shares
Number of outstanding shares:		
Number of issued and fully paid shares	**100,000,000**	100,000,000
Less: weighted average number of treasury shares	**(9,899,225)**	(9,899,225)
Weighted average number of outstanding shares	**90,100,775**	90,100,775
	Fils	Fils
Basic and diluted loss per share attributable to shareholders of the Parent Company	**(14)**	(28)

As of December 31, 2021, there is a term loan convertible into ordinary shares (Note 13), It does not have a dilutive effect on the loss per share due to its nature.

24. Proposed dividends and General Assembly

The Board of Directors meeting held on March 30, 2022 recommended not to distribute cash dividends for the year ended December 31, 2021. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly of the Parent Company.

The Shareholders' Annual Ordinary General Assembly held on May 6, 2021, approved the consolidated financial statements for the year ended December 31, 2020, and not to distribute dividends or remuneration to the Board of Directors for the year ended December 31, 2020.

25. Contingent liabilities

As of December 31, the Group is contingently liabilities in respect of the following:

	2021	2020
Letters of guarantee	**8,842,259**	9,622,196
Letters of credit	**-**	21,541
	8,842,259	9,643,737

26. Right of utilization

The Parent Company's operations are settled on right of utilization of a land, plot 85, Mina Abdullah, for an area of 548,437.5 square meters, leased from Public Authority for Industry, pursuant to the contract signed on July 16, 2020, for 5 years ending on July 15, 2025. The land is settled in the Associate Company – Real Estate Development Company W.L.L., Pursuant to a settlement letter approved by the Public Authority for Industry.

27. Legal claims

There are certain lawsuits raised by/against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's Management, there will be no material adverse impact on the Group consolidated financial statements, hence no provisions were recorded in the Group's records as of the reporting date due to the sufficiency of the currently recorded provisions for those claims as of the reporting date

On June 13, 2017, the Parent Company, submitted a financial claim with the amount of KD 25,415,961 (twenty-five million four hundred and fifteen thousand nine hundred and sixty-one Kuwaiti dinars), and the claim is still under study by the Public Authority for Industry and the Ministry of Commerce and Industry, which referred the matter to the Council of Ministers, to examine the competent committee for assessing compensation, and this claim is based on the company's eligibility for compensation (In accordance with the principle of compensation established by Law No. 105/80 regarding state property and its executive regulations, and also established by virtue of the contract concluded with the Public Authority for Industry regarding the exploitation of the land, Contract No. 27/2013 dated on June 19, 2013 and stated in Article 13), according to similar cases in the same geographical location.

Before the administrative authority decided on this claim and working on providing alternative lands to the Parent Company from its current location in which the administrative building, factory, and scrap yard were located, it issued a decision on January 25, 2021 to remove and evict the Parent Company from its location in South Amghara, since the administrative authority has violated this decision and what was agreed during the meeting of the Public Authority for Industry with the Parent Company on September 29, 2019, that the transfer of the parent company's site will take place after the installation of electricity to the alternate site and implementing its organizational structure.

Accordingly, the Metal and Recycling Co, considered that the violation of this agreement by the administrative authority had caused damages to it, as a result of which it prepared a supplementary financial claim to its previous claim, bringing the total claim amounting KD 58,500,000 (fifty-eight million five hundred thousand Kuwaiti dinars), and the matter is still under investigation with the Public Authority for Industry and the Ministry of Commerce and Industry this claim has not been resolved till date.

28. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, time deposits, receivables, due from related parties, financial assets at FVTPL, lease liabilities, due to banks, term loans, financing lease contracts, payables, and due to related parties and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest profit for its financial assets liabilities carrying floating interest rates. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings:

	2021		
	Increase / (decrease) in interest / profit rate	**Balances as of December 31**	**Effect on consolidated statement of profit or loss**
Term deposits	**± 0.5%**	**1,090,296**	**± 5,451**
Finance lease payables	**± 0.5%**	**(350,000)**	**± 1,750**
Term loans	**± 0.5%**	**(4,934,183)**	**± 24,671**

	2020		
	Increase / (decrease) in interest / profit rate	Balances as of December 31	Effect on consolidated statement of profit or loss
Term deposits	± 0.5%	1,047,054	± 5,384
Finance lease payables	± 0.5%	(970,000)	± 4,850
Term loans	± 0.5%	(1,794,846)	± 8,974

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, time deposits, Murabaha investments and receivables and due from related parties. The Group's cash at banks are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Cash at banks and term deposits

The Group's cash at banks and term deposits are measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and short-term deposits are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any services to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

The Group's maximum exposure arising from default of the counterparty is limited to the carrying amount of cash at banks, short term deposits, receivables and due from related parties.

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar. The Group is not currently exposed significantly to such risk.

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks and matching the maturity profiles of financial assets and liabilities.

Maturity Table for financial liabilities

	2021			
	1-3 months	**4-12 months**	**More than year**	**Total**
Due to banks	-	210,781	-	210,781
Finance lease payables	-	350,000	-	350,000
Term loans	-	1,058,000	3,876,183	4,934,183
Lease liabilities	-	608,845	2,281,411	2,890,256
Accounts payable and other credit balances	790,414	2,191,244	-	2,981,658
Due to related parties	2,206,621	-	-	2,206,621
Total	2,997,035	4,418,870	6,157,594	13,573,499

	2020			
	1-3 months	4-12 months	More than year	Total
Finance lease payables	-	970,000	-	970,000
Term loans	-	1,158,000	636,846	1,794,846
Lease liabilities	-	672,133	1,878,844	2,550,977
Accounts payable and other credit balances	677,441	4,049,589	-	4,727,030
Due to related parties	847,688	-	-	847,688
Total	1,525,129	6,849,722	2,515,690	10,890,541

e) Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio and are continuously monitored. As per the management, the cost approximates the fair value of the financial assets at fair value through profit and loss.

29. Fair value measurement

The Group measures financial assets such as financial assets available for sale financial assets and non–financial assets such as investment properties at fair value at each reporting date.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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.

Financial assets at fair value through profit or loss are included in the third level of fair value measurement.

The fair value of investment properties has been disclosed in Note (9).

There were no transfers between levels of fair value measurements during the year.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization 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 fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The fair value of unquoted instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent accredited valuer having experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

Description	**Unobservable inputs**	**Range (weighted average)**	**Sensitivity**
Investment properties	Rental yield rate	7.65%	Other factors being constant, any increase or decrease in the unobservable inputs will lead to an increase or decrease in the fair value.

30. Segment information

The Group is organized into functional divisions to manage its various lines of business. The Group operates mainly in the State of Kuwait. For the purposes of segment reporting, the Group's management has grouped its products and services into the following operating segments:

A. Metal shredding and used spare parts department

This represents importing machines and material necessary for shredding, sorting, cutting, and shearing of metals, selling waste scrap inside and outside State of Kuwait, cutting and shearing of metals, recycling of waste, plastic, rubbles, environmental waste, and trading in the recycled materials.

B. Services Department- HVAC

This represents maintenance of tools and technical supplies, electric generators, cleaning services, metal pipes, constructions ceiling maintenance, bridges erection, cleaning and sanitary contracts, selling and buying cleaning powders, extinguishing tool works, fire alarm machines and air conditions contracts and maintenance.

C. Waste department

It includes the recycling, treatment, and disposal of metallic, plastic and medical waste.

D. Services Department – Cleaning

It includes cleaning roads and buildings, cities cleaning contracts, and security services.

E. Others

This item includes all types of investments, goodwill, and other activities.

Financial details of the above operating segments are as follows:

	2021		2020	
	Segment assets	**Segment liabilities**	Segment assets	Segment liabilities
Waste Management & Recycling	**7,426,932**	**11,544,237**	6,781,533	8,705,222
Services Department- HVAC	**9,359,012**	**2,862,697**	8,896,702	2,922,487
Services Department – Cleaning	**963,473**	**237,640**	1,043,707	252,925
Others	**6,421,374**	**43,170**	5,865,615	31,870
	24,170,791	**14,687,744**	22,587,557	11,912,504

	2021		2020	
	Segment revenue	**Segment results**	Segment revenue	Segment results
Waste Department - Metal Shredding	**1,639,989**	**465,983**	5,280,717	551,803
Waste Department - Plastic Recycling	**1,431,737**	**(210,729)**	1,796,832	(2,299)
Waste Department - Medical Waste	**394,572**	**(222,137)**	304,829	(237,642)
Services Department- HVAC (Heating ventilation and Air conditioning)	**9,339,430**	**1,138,316**	8,122,485	1,175,651
Services Department – Cleaning	**1,337,750**	**92,030**	2,016,621	147,712
Others	**421,371**	**(2,145,469)**	674,580	(3,711,459)
	14,564,849	**(882,006)**	18,196,064	(2,076,234)

31. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2021	2020
Due to banks	**210,781**	-
Finance lease payables	**350,000**	970,000
Term loans	**4,934,183**	1,794,846
Lease liabilities	**2,890,256**	2,550,977
Total borrowings	**8,385,220**	5,315,823
Less: cash and cash equivalents	**(4,062,273)**	(3,487,748)
Less: Time deposits	**(1,090,296)**	(1,076,769)
Net debt	**3,232,651**	751,306
Total equity	**9,483,047**	10,675,053
Total capital resources	**12,715,698**	11,426,359
Gearing Ratio	**25%**	7%

32. Impact of COVID – 19

The recent spread of the coronavirus ("COVID – 19") across various geographies globally, which was declared a pandemic by the World Health Organization, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at December 31, 2021.

Credit risk management

The management of the Group has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

The uncertainties caused by ("COVID – 19") required the Group to consider the impact of higher volatility in the forward looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2021. For its international operations, the Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate.

Liquidity risk management

In response to the ("COVID – 19") outbreak, the Group is closely evaluating its liquidity and funding position and taking appropriate actions. The Group will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of ("COVID – 19"), the Group has assessed whether the fair values of the financial assets and liabilities represents the price that would be achieved for transactions between market participants in the current scenario.

Fair value measurement of non-financial instruments (Investment properties and Investment in associate)

As at the reporting date, the Group has identified the impact on the carrying values of its non-financial assets as at December 31, 2021 due to impact of ("COVID – 19") arising from an impact on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at December 31, 2021. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

Impairment of Goodwill

The Group has performed a reassessment for the recoverable amount of goodwill, considering the impact of ("COVID – 19") by revisiting the assumptions and cash flows projections. As a result of the exercise, management has concluded that no impairment provision is considered necessary in the consolidated statement of profit or loss for the year ended December 31, 2021.

The existing and anticipated effects of the outbreak of ("COVID – 19") on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position in the future. The Group will continue to monitor the market outlook and update its assumptions, and forecasts as that may have a substantial impact on the consolidated financial statements in the future.