

Ahl Al-Khaleej for General Trading and Contracting Company W.L.L.
State of Kuwait

Financial statements and independent auditor's report
For the year ended 31 December 2023

Ahl Al-Khaleej for General Trading and Contracting Company W.L.L.
State of Kuwait

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For the year ended 31 December 2023

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**INDEPENDENT AUDITOR'S REPORT
TO THE PARTNERS OF AHL AL-KHALEEJ FOR GENERAL TRADING AND CONTRACTING
COMPANY W.L.L.
STATE OF KUWAIT**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ahl Al-Khaleej for General Trading and Contracting Company W.L.L. (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the financial year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on 15 August 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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



**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE PARTNERS OF AHL AL-KHALEEJ FOR GENERAL TRADING AND CONTRACTING
COMPANY W.L.L.
STATE OF KUWAIT**

Report on the Audit of the Financial Statements (Continued)

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

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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Company and the 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 financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, its Executive Regulations, as amended (the "Companies' Law"), and by the Company's Memorandum 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, its Executive Regulations, as amended, nor of the Company's Memorandum of Association, as amended, have occurred during the financial year ended 31 December 2023, that might have had a material effect on the business or financial position of the Company.

Qais M. Al Nisf
License No. "38" A
BDO Al Nisf & Partners

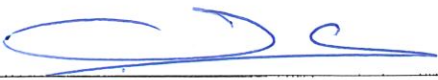
Kuwait: 24 July 2024

Ahl Al-Khaleej for General Trading and Contracting Company W.L.L.
State of Kuwait

Statement of financial position
As at 31 December 2023

	Notes	2023 KD	2022 KD
ASSETS			
Non-current assets			
Property and equipment	7	1,793,636	1,926,405
Right of use assets	8	166,952	233,961
		<u>1,960,588</u>	<u>2,160,366</u>
Current assets			
Inventories		113,956	77,147
Due from a related party	9	1,000	-
Trade and other receivables	10	12,201,482	7,109,482
Bank balances and cash	11	1,047,324	1,771,065
		<u>13,363,762</u>	<u>8,957,694</u>
Total assets		<u>15,324,350</u>	<u>11,118,060</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital	12	3,100,000	3,100,000
Statutory reserve	13	1,550,000	1,550,000
Retained earnings		10,916,389	5,464,986
Partners' current accounts	9	(777,982)	260,247
Total equity		<u>14,788,407</u>	<u>10,375,233</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	77,830	74,072
Employees' end of service benefits	14	210,423	214,308
		<u>288,253</u>	<u>288,380</u>
Current liabilities			
Lease liabilities	8	111,730	186,613
Due to a related party	9	868	868
Trade and other payables	15	135,092	266,966
		<u>247,690</u>	<u>454,447</u>
Total liabilities		<u>535,943</u>	<u>742,827</u>
Total equity and liabilities		<u>15,324,350</u>	<u>11,118,060</u>

The notes on pages 7 to 26 form an integral part of these financial statements.


Ghazi Ibrahim Abdul Mohsen Al-Aenzi
General Manager

Ahl Al-Khaleej for General Trading and Contracting Company W.L.L.
State of Kuwait

Statement of comprehensive income
For the year ended 31 December 2023

	Notes	<u>2023</u>	<u>2022</u>
		KD	KD
Operating revenue	16	7,835,835	9,495,589
Operating costs	17	<u>(3,399,722)</u>	<u>(3,467,750)</u>
Gross profit		4,436,113	6,027,839
General and administrative expenses	18	(136,424)	(159,370)
(Loss) / gain on sale of property and equipment		(87,157)	727
Write-back of provision for expected credit losses	10	5,159,263	1,396,757
Write-back of provision for employees' end of service benefits	14	23,903	-
Other income		104,151	19,824
Finance costs	8	<u>(14,983)</u>	<u>(16,740)</u>
Profit for the year		9,484,866	7,269,037
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>9,484,866</u>	<u>7,269,037</u>

The notes on pages 7 to 26 form an integral part of these financial statements.

Ahl Al-Khaleej for General Trading and Contracting Company W.L.L.
State of Kuwait

Statement of changes in equity
For the year ended 31 December 2023

	Capital KD	Statutory reserve KD	Retained earnings KD	Partners' current accounts KD	Total equity KD
At 1 January 2022	3,100,000	1,550,000	2,303,800	374,090	7,327,890
Total comprehensive income for the year	-	-	7,269,037	-	7,269,037
Dividends paid (Note 22)	-	-	(4,107,851)	-	(4,107,851)
Net movement in partners' current accounts	-	-	-	(113,843)	(113,843)
At 31 December 2022	3,100,000	1,550,000	5,464,986	260,247	10,375,233
At 1 January 2023	3,100,000	1,550,000	5,464,986	260,247	10,375,233
Total comprehensive income for the year	-	-	9,484,866	-	9,484,866
Dividends paid (Note 22)	-	-	(4,033,463)	-	(4,033,463)
Net movement in partners' current accounts	-	-	-	(1,038,229)	(1,038,229)
At 31 December 2023	3,100,000	1,550,000	10,916,389	(777,982)	14,788,407

The notes on pages 7 to 26 form an integral part of these financial statements.

Ahl Al-Khaleej for General Trading and Contracting Company W.L.L.
State of Kuwait

Statement of cash flows
For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit for the year		9,484,866	7,269,037
<i>Adjustments for:</i>			
Loss / (gain) on sale of property and equipment		87,157	(727)
Depreciation of property and equipment	7	281,680	272,652
Amortization of right of use assets	8	189,080	165,149
Write-back of provision for expected credit losses	10	(5,159,263)	(1,396,757)
Finance costs	8	14,983	16,740
Provision for employees' end of service benefits	14	31,385	30,081
Write-back of provision for employees' end of service benefits	14	(23,903)	-
		<u>4,905,985</u>	<u>6,356,175</u>
<i>Changes in working capital:</i>			
Inventories		(36,809)	(77,147)
Due from a related party		(1,000)	-
Trade and other receivables		67,263	(726,217)
Trade and other payables		(131,874)	(9,039)
Net cash flows generated from operations		<u>4,803,565</u>	<u>5,543,772</u>
Employees' end of service benefits paid	14	(11,367)	(1,082)
Net cash flows generated from operating activities		<u>4,792,198</u>	<u>5,542,690</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(294,120)	(122,639)
Proceeds from sale of property and equipment		58,052	36,098
Net cash flows used in investing activities		<u>(236,068)</u>	<u>(86,541)</u>
FINANCING ACTIVITIES			
Net movement in partners' current accounts		(1,038,229)	(113,843)
Payment of principal portion of lease liabilities	8	(193,196)	(163,260)
Finance costs paid	8	(14,983)	(16,740)
Dividends paid	22	(4,033,463)	(4,107,851)
Net cash flows used in financing activities		<u>(5,279,871)</u>	<u>(4,401,694)</u>
Net (decrease) / increase in bank balances and cash		(723,741)	1,054,455
Bank balances and cash at beginning of the year		<u>1,771,065</u>	<u>716,610</u>
Bank balances and cash at end of the year	11	<u>1,047,324</u>	<u>1,771,065</u>

The Company has the following non-cash transaction during the year which is not reflected in the statement of cashflows:

Non-cash transaction:			
Additions on right of use assets and lease liabilities	8	<u>122,071</u>	<u>-</u>

The notes on pages 7 to 26 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

Ahl Al-Khaleej for General Trading and Contracting Company W.L.L. (the "Company") is a limited liability company registered in the State of Kuwait. The Company was registered in Commercial Register under No. 74837 on 10 October 1998. The last amendment to the Company's Memorandum of Association was on 25 April 1999.

The Company's principal activities are general trading and contracting, and the supply of industrial equipment and machines.

The registered address of the Company is East Ahmadi, Block 6, plot No 107, State of Kuwait.

The financial statements were authorized for issue by the Partners' on 24 July 2024.

2. BASIS OF PREPARATION

The financial statements are prepared on the historical cost convention.

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

3. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the IFRS Accounting Standards interpretations Committee applicable to companies reporting under IFRS Accounting Standards and applicable requirements of the Companies' Law No. 1 of 2016, its Executive Regulations, as amended (the "Companies Law").

The preparation of financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas of material judgments and estimates made in preparing the financial statements and their effect are disclosed in Note 6.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS ACCOUNTING STANDARDS")

a) New standards, interpretations, and amendments effective from 1 January 2023

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company' annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no material impact on the Company's financial statements.

Notes to the financial statements
For the year ended 31 December 2023

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS ACCOUNTING STANDARDS") (CONTINUED)

a) New standards, interpretations, and amendments effective from 1 January 2023 (Continued)

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no material impact on the Company's financial statements.

There are other amendments related to IAS 12 "Income Taxes" that has no impact on the Company's financial statements.

b) Standards and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- *Obligation on a Sale and Leaseback (Amendments to IFRS 16 Leases);*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);*
- *Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and*
- *Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)*

The following amendments are effective for the period beginning 1 January 2025:

Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Company does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Company.

5. MATERIAL ACCOUNTING POLICIES

5.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

5.2 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

Machinery and equipment	10 years
Office equipment	3 years
Computer and tools	3 years

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

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

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

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

Notes to the financial statements
For the year ended 31 December 2023

5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.3 Leases

When the Company is a lessee

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

a) Right of use assets

The Company 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 amortization and impairment losses, and adjusted for any remeasurement 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 Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are amortized 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.

b) Lease liabilities

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

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

c) Short-term leases and leases of low-value assets

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

5.4 Inventories

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

5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Inventories (Continued)

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.

5.5 Impairment of non-financial assets

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

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

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

5.6 Financial instruments

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

Financial assets and financial liabilities carried on the statement of financial position include due from a related party, trade and other receivables (excluding advance payments to suppliers and prepaid expenses), bank balances and cash, lease liabilities, due to a related party and trade and other payables.

Financial assets

Recognition, impairment and derecognition

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.

5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.6 Financial instruments (Continued)

Financial assets (continued)

Recognition, impairment and derecognition (continued)

The Company determines its business model at the level that best reflects how it manages Company of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Company'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 Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

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 Company 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 Company has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Classification of financial assets

The Company classifies its financial assets upon initial recognition as financial assets at amortized cost

Financial assets 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.

Financial assets carried at amortized cost are subsequently measured at amortized cost using the effective interest rate method adjusted for impairment losses if any. Interest income and impairment are recognized in the statement of comprehensive income. Gain and losses are recognized in statement of comprehensive income when the asset is derecognized, modified or impaired.

Financial assets carried at amortized cost consist of due from a related party, trade and other receivables (excluding advance payments to suppliers and prepaid expenses) and bank balances and cash

Effective interest method

The effective interest rate is a method of calculating the amortized cost of a financial asset and of allocating return over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade and other receivables

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

Receivables which are not categorized under the above are classified as "other debit balances".

5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.6 Financial instruments (Continued)

Financial assets (continued)

Bank balances and cash

Bank balances and cash represent bank balances with financial institutions and cash on hand. Bank balances are exposed to an immaterial risks of changes in value.

Impairment of financial assets

For trade receivables and other debit balances, the Company has applied the standard's simplified approach and has calculated the expected credit losses ("ECLs") based on lifetime ECLs. Accordingly, the Company does not track changes in credit risk and assesses impairment on a collective basis. The Company has established a provision matrix that is based on the 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.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For due from a related party balance, the Company has applied a forward looking approach wherein recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company 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.

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 statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, within the scope of IFRS 9, as financial liabilities at fair value through statement of profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include lease liabilities, due to a related party and trade and other payables.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.6 Financial instruments (Continued)

Financial liabilities (continued)

Accounts payable

Accounts payable include trade payables and other credit balances. 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 rate method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derecognition

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 statement of comprehensive income. 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 statement of comprehensive income 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 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 realize the assets and settle the liabilities simultaneously.

5.7 Employees' end of service benefits

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

5.8 Provisions

A provision is recognized when the Company 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 reporting period 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.

5.9 Contingent assets and contingent liabilities

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

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

5.10 Revenue recognition

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 Company expects to be entitled in exchange for those goods or services. The Company 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.

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10. TRADE AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
	KD	KD
Trade receivables	14,809,543	14,895,824
Less: provision for expected credit losses*	<u>(2,666,357)</u>	<u>(7,825,620)</u>
	12,143,186	7,070,204
Staff receivables	29,226	37,061
Advance payments to suppliers	23,791	1,354
Prepaid expenses	<u>5,279</u>	<u>863</u>
	<u>12,201,482</u>	<u>7,109,482</u>

*Movement in the provision for expected credit losses of trade receivables is as follows:

	<u>2023</u>	<u>2022</u>
	KD	KD
At 1 January	7,825,620	9,222,377
Write-back of provision for expected credit losses	<u>(5,159,263)</u>	<u>(1,396,757)</u>
At 31 December	<u>2,666,357</u>	<u>7,825,620</u>

Disclosures relating to the credit risk exposures and analysis relating to the provision for expected credit losses are set forth in Note 19.2.

11. BANK BALANCES AND CASH

	<u>2023</u>	<u>2022</u>
	KD	KD
Bank balances	1,044,699	1,769,822
Cash on hand	<u>2,625</u>	<u>1,243</u>
	<u>1,047,324</u>	<u>1,771,065</u>

12. CAPITAL

The capital of the Company is KD 3,100,000 divided into 100 units of KD 31,000 each (2022: KD 3,100,000 divided into 100 units of KD 31,000 each), distributed among partners as follows:

	<u>2023</u>		<u>2022</u>	
	<u>No. of units</u>	<u>Amount</u>	<u>No. of units</u>	<u>Amount</u>
		KD		KD
Ghazi Ibrahim Abdul Mohsen Al-Aenzi	74	2,294,000	74	2,294,000
Abdul Mohsen Ibrahim Al-Aenzi	25	775,000	25	775,000
Rahaf Ibrahim Al-Aenzi	1	31,000	1	31,000
	<u>100</u>	<u>3,100,000</u>	<u>100</u>	<u>3,100,000</u>

5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.10 Revenue recognition (Continued)

The Company applies a five step model 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 Company 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 Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company 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 Company 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 Company recognizes revenue either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. The Company 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 Company's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Company'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 Company considers the following factors in determining whether control of an asset has been transferred:

- The Company has a present right to payment for the asset.
- The Customer has legal title to the asset.
- The Company 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.

Revenue for the Company arises from the following activities:

Service revenue

Revenue from rendering services is recognized over time as and when the services are rendered or performed which is in line with the recognition criteria required by IFRS 15.

Other income

Other income is recognized on accrual basis.

5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.11 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 is 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 statement of comprehensive income for the year.

6. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY

In the application of the Company's material accounting policies, which are described in Note 5, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Material accounting judgments

In the process of applying the Company's material accounting policies, management has made the following material judgments, which have the most material effect on the amounts recognised in the financial statements:

Useful lives of non-financial assets

The Company reviews the estimated useful lives over which its non-financial assets are depreciated and intangible assets are amortised. The Company's management is satisfied that the estimates of useful lives are appropriate.

Classification of financial instruments

On acquisition of a financial asset, the Company 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 Company's business model for managing the assets of the instrument's contractual cash flow characteristics. The Company follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note 5.

**6. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY
(CONTINUED)**

Material accounting judgments (Continued)

Principal versus agent considerations

The Company enters into contracts to render services to its customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company determined that it is a principal in all its contracts with its customers.

- The Company controls the promised services before the Company transfers the services to the customer.
- The Company satisfies the performance obligations by itself and does not engage another party in satisfying its performance obligations in its contracts with customers.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared.

Impairment of non-financial assets

The Company's management estimates whether there is an indication to impairment of non-financial assets. The recoverable amount of an asset is determined based on "value in use method". In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Estimating the incremental borrowing rate for leases

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

Impairment of inventories

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

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Company's historical observed default rates.

**6. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY
(CONTINUED)**

Estimation uncertainty (Continued)

Provision for expected credit losses of trade receivables (continued)

The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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7. PROPERTY AND EQUIPMENT

	Machinery and equipment KD	Office equipment KD	Computer equipment KD	Total KD
Cost:				
At 1 January 2022	2,388,410	-	-	2,388,410
Additions	122,639	-	-	122,639
Disposals	(57,470)	-	-	(57,470)
At 31 December 2022	2,453,579	-	-	2,453,579
Additions	291,583	537	2,000	294,120
Disposals	(188,584)	-	-	(188,584)
At 31 December 2023	2,556,578	537	2,000	2,559,115
Accumulated depreciation:				
At 1 January 2022	276,621	-	-	276,621
*Charge for the year	272,652	-	-	272,652
Disposals	(22,099)	-	-	(22,099)
At 31 December 2022	527,174	-	-	527,174
*Charge for the year	281,543	81	56	281,680
Disposals	(43,375)	-	-	(43,375)
At 31 December 2023	765,342	81	56	765,479
Net book value:				
At 31 December 2023	1,791,236	456	1,944	1,793,636
At 31 December 2022	1,926,405	-	-	1,926,405
Annual depreciation rates	10%	33%	33%	

*Depreciation charges are included in the statement of comprehensive income under "Operating costs" (Note 17).

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8. LEASES

The carrying amount of the Company's right of use assets, lease liabilities and the movement during the year is as follows:

Right of use assets	2023	2022
	KD	KD
At 1 January	233,961	399,110
Additions	122,071	-
Amortization*	(189,080)	(165,149)
At 31 December	<u>166,952</u>	<u>233,961</u>
Lease liabilities	2023	2022
	KD	KD
At 1 January	260,685	423,945
Additions	122,071	-
Finance costs	14,983	16,740
Paid during the year	(208,179)	(180,000)
At 31 December	<u>189,560</u>	<u>260,685</u>

*Amortization charges for the year has been allocated in the statement of comprehensive income as follows:

	2023	2022
	KD	KD
Operating costs (Note 17)	131,447	107,347
General and administrative expenses (Note 18)	57,633	57,802
	<u>189,080</u>	<u>165,149</u>

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022
	KD	KD
Non-current portion	77,830	74,072
Current portion	<u>111,730</u>	<u>186,613</u>
	<u>189,560</u>	<u>260,685</u>

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties primarily comprise of partners, key management personnel of the Company and entities controlled or significantly influenced by such parties. Prices and terms of payment are approved by the Company's management. Significant related party balances and transactions are as follows:

	Partners	Entities under common control	Other related parties	2023	2022
	KD	KD	KD	KD	KD
<i>Statement of financial position:</i>					
Due from a related party	-	-	1,000	1,000	-
Due to a related party	-	868	-	868	868
Partners' current accounts	(777,982)	-	-	(777,982)	260,247

Amounts due from/due to a related party are non-interest bearing and are receivable/payable on demand.

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13. RESERVE

i. Statutory reserve

As required by the Companies' Law and the Company's Memorandum of Association, as amended, 10% of profit for the year is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Company's Memorandum of Association, as amended. Transfer to statutory reserve has been discontinued because the balance have exceeded 50% of the Company's capital.

ii. Voluntary reserve

In accordance with Company's Memorandum of Association, a percentage of not less than 10% of the profit for the year is required to be transferred to voluntary reserve. Such annual transfers can be discontinued by resolution of Partners in the Annual General Assembly meeting upon recommendation by the management. There are no restrictions on the distribution of this reserve. Transfer to voluntary reserve has been discontinued by the Partners' prior decision.

14. EMPLOYEES' END OF SERVICE BENEFITS

	<u>2023</u>	<u>2022</u>
	KD	KD
At 1 January	214,308	185,309
Charge for the year	31,385	30,081
Write-back during the year	(23,903)	-
Paid during the year	(11,367)	(1,082)
At 31 December	<u>210,423</u>	<u>214,308</u>

15. TRADE AND OTHER PAYABLES

	<u>2023</u>	<u>2022</u>
	KD	KD
Trade payables	99,816	222,509
Accrued expenses	35,276	44,457
	<u>135,092</u>	<u>266,966</u>

16. OPERATING REVENUE

	<u>2023</u>	<u>2022</u>
	KD	KD
<i>Type of revenue</i>		
Revenue from preparing oil well drilling sites	7,835,835	9,495,589
Total revenue from contracts with customers	<u>7,835,835</u>	<u>9,495,589</u>
<i>Geographical markets</i>		
Kuwait	7,835,835	9,495,589
Total revenue from contracts with customers	<u>7,835,835</u>	<u>9,495,589</u>
<i>Timing of revenue recognition</i>		
Services transferred over time	7,835,835	9,495,589
Total revenue from contracts with customers	<u>7,835,835</u>	<u>9,495,589</u>

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17. OPERATING COSTS

	<u>2023</u>	<u>2022</u>
	KD	KD
Cost of goods sold	1,940,013	2,045,154
Staff costs	429,407	436,636
Depreciation of property and equipment (Note 7)	281,680	272,652
Amortization of right of use assets (Note 8)	131,447	107,347
Other expenses	617,175	605,961
	<u>3,399,722</u>	<u>3,467,750</u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2023</u>	<u>2022</u>
	KD	KD
Staff costs	17,300	17,470
Amortization on right of use assets (Note 8)	57,633	57,802
Legal and professional fees	20,500	5,650
Other administrative expenses	40,991	78,448
	<u>136,424</u>	<u>159,370</u>

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to variety of financial risks: e.g. market risk (i.e. interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. The Company's management policies for reducing each of the risks are discussed below. The Company does not use derivative financial instruments based on future speculations.

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises of, interest rate risk, foreign currency risk and equity price risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises from the possibility that the changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is not exposed to interest rate risk since there are no floating rate interest bearing financial assets or liabilities as at 31 December. The Company is not exposed to interest rate risk on its lease liabilities as the lease liabilities bear a fixed interest rate.

(b) Foreign currency risk

Foreign currency risk arises from the Company's exposure to fluctuations of foreign currency arising from various currency exposures. The Company is not significantly exposed to foreign currency risk.

(c) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. The Company is not exposed to equity price risk since there are no equity investments held by the Company in the statement of financial position as at the reporting date.

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19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Company to credit risk consist principally of due from a related party, trade and other receivables (excluding advance payments to suppliers and prepaid expenses) and bank balances.

Trade receivables

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, service type and customer type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Company's trade receivables using a provision matrix:

	2023					Total
	30 - 60	60 - 90	90 - 180	180 - 365	Over 365	
	days	days	days	days	days	
	KD	KD	KD	KD	KD	KD
Provision for expected credit losses (%)	-	7.6%	9.6%	18.6%	18.71%	
Gross carrying amount	6,300	505,604	505,100	313,297	13,479,242	14,809,543
Provision for expected credit losses	-	38,227	48,252	58,226	2,521,652	2,666,357
	2022					Total
	30 - 60	60 - 90	90 - 180	180 - 365	Over 365	
	days	days	days	days	days	
	KD	KD	KD	KD	KD	KD
Provision for expected credit losses (%)	-	0.5%	1%	1.5%	63%	
Gross carrying amount	374,645	1,034,249	482,090	638,468	12,366,372	14,895,824
Provision for expected credit losses	-	5,171	4,821	9,577	7,806,051	7,825,620

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19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.2 Credit risk (Continued)

Bank balances

The Company's bank balances that 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 Company's bank balances are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Company as the risk of default has not increased significantly since initial recognition.

Credit risk exposure

The carrying amounts of financial assets represent the maximum exposure to credit risk. The maximum net exposure to credit risk by class of assets at the financial position date is as follows:

	<u>2023</u>	<u>2022</u>
	KD	KD
Due from a related party	1,000	-
Trade and other receivables (excluding advance payments to suppliers and prepaid expenses)	12,172,412	7,107,265
Bank balances	1,044,699	1,769,822
	<u>13,218,111</u>	<u>8,877,087</u>

19.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

To manage this risk, the Company periodically assesses the financial viability of customers and invests in investments that are readily realizable, along with planning and managing the Company'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.

The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The maturity profile of financial liabilities is as follows:

2023

<u>Financial liabilities</u>	<u>On demand</u>	<u>Less than</u>	<u>Above 1</u>	<u>Total</u>
	KD	1 year	year	KD
		KD	KD	
Lease liabilities	-	113,965	84,537	198,502
Due to a related party	868	-	-	868
Trade and other payables	-	135,092	-	135,092
	<u>868</u>	<u>249,057</u>	<u>84,537</u>	<u>334,462</u>

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19. FINANCIAL RISK MANAGEMENT (CONTINUED)

19.3 Liquidity risk (Continued)

2022

<u>Financial liabilities</u>	<u>On demand</u>	<u>Less than 1 year</u>	<u>Above 1 year</u>	<u>Total</u>
	KD	KD	KD	KD
Lease liabilities	-	195,000	75,000	270,000
Due to a related party	868	-	-	868
Trade and other payables	-	266,966	-	266,966
	<u>868</u>	<u>461,966</u>	<u>75,000</u>	<u>537,834</u>

20. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, through the optimization of the debt and equity so that it can continue to provide an adequate return to the Partners' by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Partners' and return capital to Partners'.

21. FAIR VALUE MEASUREMENT

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

In the opinion of management, the estimated fair value of financial assets and liabilities are not materially different from their carrying values.

22. PARTNERS' ANNUAL GENERAL ASSEMBLY MEETING

The partners' General Assembly meetings held on 2 February 2023 and 9 April 2023, approved the distribution of dividends amounted to KD 33,463 and KD 4,000,000 respectively, to the partners for the financial year ended 31 December 2022, according to the units held by each partner.

The partners' General Assembly meeting held on 9 February 2022, approved the distribution of dividends amounted to KD 4,107,851 to the partners for the financial year ended 31 December 2021, according to the units held by each partner.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentations. Such reclassification did not affect previously reported statement of comprehensive income, equity or opening balances of the earliest comparative period presented and accordingly a third statement of financial position is not presented.