

**NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH
INDEPENDENT AUDITOR'S REPORT**

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
STATE OF KUWAIT

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FOR THE YEAR ENDED DECEMBER 31, 2024
WITH
INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of
National Petroleum Services Company - K.S.C.P. and its Subsidiaries
State of Kuwait

Report on the Audit of the Consolidated Financial Statements**Opinion**

We have audited the consolidated financial statements of National Petroleum Services Company - K.S.C.P. (the "Parent Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of profit or loss, 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 material accounting policies information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (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 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.

Key Audit Matters

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

Recognition and measurement of revenue

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

Revenue is recognized as performance obligations are satisfied.

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

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

The accounting policy and the related disclosures for revenue recognition are set out in Notes (2 – r, 2 – z & 19) in the accompanying consolidated financial statements.

Other Information included in the Group's annual report for the year ended December 31, 2024

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We have obtained the Parent Company's Board of Directors report for the year ended 2024, but we have not obtained the annual report, and we expect to obtain these reports after the date of our 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, we consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance opinion 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 IFRS Accounting Standards, 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 Parent Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 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, 2024, that might have had a material effect on the business or consolidated financial position of the Parent Company.

Furthermore, we have not become aware of any material violations of the provisions of Law 7 of 2010 relating to the Capital Markets Authority and its related regulations, as amended, during the year ended December 31, 2024, that might have had a material effect on the Parent Company's consolidated financial position or results of its operations.

State of Kuwait
March 25, 2025

A blue ink signature, appearing to read 'Nayef M. Al Bazie', is written over a horizontal blue line.

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



NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

| | Notes | 2024 | 2023 |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets: | | | |
| Property, plant and equipment | 3 | 15,929,009 | 13,958,715 |
| Investment in associates | 4 | 18,388,539 | 16,615,128 |
| Investment in joint venture | 5 | - | 1,601,491 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | 6 | 605,467 | 1,172,720 |
| Due from a related party | 10 | - | 17,579 |
| Right-of-use assets | | 63,520 | 277,018 |
| Total non-current assets | | 34,986,535 | 33,642,651 |
| Current assets: | | | |
| Inventories | 7 | 6,438,266 | 4,531,445 |
| Trade receivables and contract assets | 8 | 11,275,938 | 12,655,113 |
| Prepayments and other debit balances | 9 | 2,565,109 | 2,248,937 |
| Financial assets at fair value through profit or loss ("FVTPL") | | 792 | 613,823 |
| Due from a related party | 10 | - | 260,572 |
| Term deposits | 11 | 19,116,683 | 14,069,746 |
| Bank balances and cash | 12 | 5,241,567 | 2,660,961 |
| Total current assets | | 44,638,355 | 37,040,597 |
| Total assets | | 79,624,890 | 70,683,248 |
| EQUITY AND LIABILITIES | | | |
| Equity: | | | |
| Share capital | 13 | 10,000,000 | 10,000,000 |
| Share premium | | 3,310,705 | 3,310,705 |
| Treasury shares | 14 | (6,002,371) | (6,002,371) |
| Treasury shares reserve | | 33,825 | 33,825 |
| Statutory reserve | 15 | 5,858,895 | 5,858,895 |
| Voluntary reserve | 16 | 5,858,895 | 5,858,895 |
| Cumulative changes in fair values | | (289,923) | - |
| Effect of changes in other comprehensive income of associates | | 33,952 | - |
| Foreign currency translation reserve | | (16,453) | (15,259) |
| Retained earnings | | 30,569,022 | 22,639,857 |
| Equity attributable to Shareholders of the Parent Company | | 49,356,547 | 41,684,547 |
| Non-controlling interests | | 16,104,793 | 14,281,592 |
| Total equity | | 65,461,340 | 55,966,139 |
| Non-current liabilities: | | | |
| Provision for employees' end of service benefits | 17 | 3,271,822 | 2,779,532 |
| Lease liabilities | | - | 53,867 |
| Total non-current liabilities | | 3,271,822 | 2,833,399 |
| Current liabilities: | | | |
| Account payables and accrued expenses | 18 | 10,813,494 | 11,650,349 |
| Due to a related party | 10 | 14,093 | - |
| Lease liabilities | | 64,141 | 233,361 |
| Total current liabilities | | 10,891,728 | 11,883,710 |
| Total liabilities | | 14,163,550 | 14,717,109 |
| Total equity and liabilities | | 79,624,890 | 70,683,248 |

The accompanying notes from (1) to (29) form an integral part of the consolidated financial statements.

Sheikh Sabah Mohammad Abdulaziz Al Sabah
Chairman

Mr. Muhaiman Ali Sayed Naser Al-Behbehani
Vice Chairman & CEO

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

| | Notes | 2024 | 2023 |
|---|-------|-------------------|-------------------|
| Sales and services revenue | 19 | 41,028,898 | 39,522,799 |
| Cost of sales and services rendered | | (27,846,584) | (28,650,618) |
| Gross profit | | 13,182,314 | 10,872,181 |
| Interest income | | 567,028 | 870,811 |
| Investment income | 20 | 44,958 | 60,881 |
| Other income | | 261,665 | 236,379 |
| Gain on acquisition of a subsidiary | 2 – b | 2,606,240 | - |
| Group's share of results from associates | 4 | 2,436,388 | - |
| Group's share of results from joint venture | 5 | 2,159,378 | - |
| Provision for expected credit losses (charged) no longer required | 8 – b | (243,200) | 75,656 |
| General and administrative expenses | 21 | (3,502,498) | (2,992,530) |
| Profit for the year before taxes and Board of Directors' remuneration | | 17,512,273 | 9,123,378 |
| Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | 22 | (107,270) | (91,234) |
| National Labor Support Tax (NLST) | 2 – u | (390,296) | (214,130) |
| Zakat | 2 – v | (119,070) | (85,652) |
| Board of Directors' remuneration | 24 | (169,381) | (136,851) |
| Profit for the year | | 16,726,256 | 8,595,511 |
| Attributable to: | | | |
| The Parent Company's Shareholders | | 13,424,081 | 8,595,516 |
| Non-controlling interests | | 3,302,175 | (5) |
| | | 16,726,256 | 8,595,511 |
| Basic and diluted earnings per share attributable to the Parent Company's Shareholders (Fils) | 23 | 148.59 | 88.66 |

The accompanying notes from (1) to (29) form an integral part of consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024

(All amounts are in Kuwaiti Dinar)

| | Notes | 2024 | 2023 |
|--|-------|-------------------|------------------|
| Profit for the year | | 16,726,256 | 8,595,511 |
| Other comprehensive (loss) income for the year: | | | |
| <u>Items that may be reclassified subsequently to the consolidated statement profit or loss:</u> | | | |
| Foreign currency translation adjustments | | (1,194) | 436 |
| Group's share of other comprehensive loss of associates | 4 | (212) | - |
| <u>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</u> | | | |
| Group's share of other comprehensive income of associates | 4 | 64,369 | - |
| Change in fair value of financial assets at FVOCI | 6 | (547,143) | - |
| Total other comprehensive (loss) income for the year | | (484,180) | 436 |
| Total comprehensive income for the year | | 16,242,076 | 8,595,947 |
| Attributable to: | | | |
| The Parent Company's Shareholders | | 13,167,291 | 8,595,952 |
| Non-controlling interests | | 3,074,785 | (5) |
| | | 16,242,076 | 8,595,947 |

The accompanying notes from (1) to (29) form an integral part of consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

| | Equity attributable to Shareholders of the Parent Company | | | | | | | | | | | Non-controlling interests | Total equity |
|--|---|------------------|--------------------|-------------------------|-------------------|-------------------|-----------------------------------|---|--------------------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Share capital | Share premium | Treasury shares | Treasury shares reserve | Statutory reserve | Voluntary reserve | Cumulative changes in fair values | Effect of changes in other comprehensive income of associates | Foreign currency translation reserve | Retained earnings | Subtotal | | |
| As at January 1, 2024 | 10,000,000 | 3,310,705 | (6,002,371) | 33,825 | 5,858,895 | 5,858,895 | - | - | (15,259) | 22,639,857 | 41,684,547 | 14,281,592 | 55,966,139 |
| Profit for the year | - | - | - | - | - | - | - | - | - | 13,424,081 | 13,424,081 | 3,302,175 | 16,726,256 |
| Other comprehensive (loss) income for the year | - | - | - | - | - | - | (289,548) | 33,952 | (1,194) | - | (256,790) | (227,390) | (484,180) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | - | (289,548) | 33,952 | (1,194) | 13,424,081 | 13,167,291 | 3,074,785 | 16,242,076 |
| Cash dividends (Note 24) | - | - | - | - | - | - | - | - | - | (5,420,405) | (5,420,405) | - | (5,420,405) |
| Cash dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (706,166) | (706,166) |
| Transfer to retained earnings on sale of financial assets at FVOCI | - | - | - | - | - | - | (375) | - | - | 375 | - | - | - |
| Purchase of additional ownership interest in a subsidiary | - | - | - | - | - | - | - | - | - | (74,886) | (74,886) | (545,418) | (620,304) |
| As at December 31, 2024 | 10,000,000 | 3,310,705 | (6,002,371) | 33,825 | 5,858,895 | 5,858,895 | (289,923) | 33,952 | (16,453) | 30,569,022 | 49,356,547 | 16,104,793 | 65,461,340 |
| As at January 1, 2023 | 10,000,000 | 3,310,705 | (654,461) | 33,825 | 5,858,895 | 5,858,895 | - | - | (15,695) | 17,871,126 | 42,263,290 | 10 | 42,263,300 |
| Profit (loss) for the year | - | - | - | - | - | - | - | - | - | 8,595,516 | 8,595,516 | (5) | 8,595,511 |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | 436 | - | 436 | - | 436 |
| Total comprehensive income (loss) for the year | - | - | - | - | - | - | - | - | 436 | 8,595,516 | 8,595,952 | (5) | 8,595,947 |
| Effect of acquisition of a subsidiary | - | - | (5,347,910) | - | - | - | - | - | - | 1,023,215 | (4,324,695) | 14,281,587 | 9,956,892 |
| Cash dividends (Note 24) | - | - | - | - | - | - | - | - | - | (4,850,000) | (4,850,000) | - | (4,850,000) |
| As at December 31, 2023 | 10,000,000 | 3,310,705 | (6,002,371) | 33,825 | 5,858,895 | 5,858,895 | - | - | (15,259) | 22,639,857 | 41,684,547 | 14,281,592 | 55,966,139 |

The accompanying notes from (1) to (29) form an integral part of the consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

| | Notes | 2024 | 2023 |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities: | | | |
| Profit for the year before tax and after Board of Directors' remuneration | | 17,342,892 | 8,986,527 |
| <u>Adjustments to reconcile profit before tax and after Board of Directors' remuneration:</u> | | | |
| Depreciation expense | 3 | 2,844,830 | 2,535,625 |
| Amortization of right-of-use assets | | 206,000 | 311,752 |
| Profit on lease cancellation | | (537) | - |
| Gain on sale of property, plant and equipment | | (115,081) | (63,783) |
| Retirement of property, plant and equipment | 3 | 47 | 59,548 |
| Group's share of results from associates | 4 | (2,436,388) | - |
| Group's share of results from joint venture | 5 | (2,159,378) | - |
| Net provision for slow moving inventories charged (no longer required) | 7 – a | 25,260 | (44,161) |
| Provision for expected credit losses charged (no longer required) | 8 – b | 243,200 | (75,656) |
| Dividends income | 20 | (41,989) | (60,099) |
| Realized gain on sale of financial assets at FVTPL | 20 | (2,500) | - |
| Change in fair value of financial assets at FVTPL | 20 | (469) | (782) |
| Net foreign exchange differences | | 22,372 | 26,600 |
| Interest income | | (567,028) | (870,811) |
| Interest expense on lease liabilities | 21 | 9,726 | 21,140 |
| Provision for employees' end of service benefits | 17 | 801,611 | 610,253 |
| Gain on acquisition of a subsidiary | 2 – b | (2,606,240) | - |
| | | <u>13,566,328</u> | <u>11,436,153</u> |
| Changes in working capital: | | | |
| Inventories | | (938,833) | 1,546,902 |
| Trade receivables and contract assets | | 3,777,532 | 1,264,341 |
| Prepayments and other debit balances | | (269,220) | 746,253 |
| Net movement in due from / due to related parties | | 1,597,250 | - |
| Account payables and accrued expenses | | (131,580) | (374,204) |
| Cash flows generated from operations | | <u>17,601,477</u> | <u>14,619,445</u> |
| Payment for employees' end of service benefits | 17 | (365,161) | (1,698,784) |
| Taxes paid | | (432,427) | (355,582) |
| Net cash flows generated from operating activities | | <u>16,803,889</u> | <u>12,565,079</u> |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | 3 | (3,014,637) | (3,774,990) |
| Paid for purchase of additional ownership interest in a subsidiary | | (620,304) | - |
| Paid for acquisition of subsidiaries | | (3,683,722) | (11,500,000) |
| Paid for purchase of investments in associates | 4 | (675,371) | - |
| Proceeds from sale of property, plant and equipment | | 115,336 | 63,783 |
| Proceeds from recovery of financial assets at FVTPL | | 616,000 | - |
| Proceeds from sale of financial assets at FVOCI | 6 | 20,110 | - |
| Dividends income received | 20 | 41,989 | 60,099 |
| Dividends income received from associates | 4 | 1,402,505 | - |
| Dividends income received from joint venture | 5 | 159,038 | - |
| Interest income received | | 520,076 | 848,183 |
| Cash related to a consolidated subsidiary | 2 – b | 2,180,229 | 1,357,272 |
| Net movement in term deposits | | (5,046,937) | 6,000,000 |
| Net cash flows used in investing activities | | <u>(7,985,688)</u> | <u>(6,945,653)</u> |
| Cash flows from financing activities: | | | |
| Cash dividends paid to the Parent Company's Shareholders | | (5,350,353) | (4,804,960) |
| Cash dividends paid to non-controlling interests | | (663,008) | - |
| Payment of lease liabilities | | (223,040) | (334,933) |
| Net cash flows used in financing activities | | <u>(6,236,401)</u> | <u>(5,139,893)</u> |
| Foreign currency translation adjustments | | (1,194) | 436 |
| Net increase in bank balances and cash | | 2,580,606 | 479,969 |
| Bank balances and cash at the beginning of the year | | 2,660,961 | 2,180,992 |
| Bank balances and cash at the end of the year | 12 | <u>5,241,567</u> | <u>2,660,961</u> |
| Non-cash items excluded from the consolidated statement of cash flows: | | | |
| Additions to right of use assets | | - | (202,491) |
| Additions to lease liabilities | | - | 202,491 |
| | | <u>-</u> | <u>-</u> |

The accompanying notes from (1) to (29) form an integral part of the consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

(All amounts are in Kuwaiti Dinar)

1- Incorporation and activities

National Petroleum Services Company K.S.C.P. (the "Parent Company") is as a Kuwaiti Public Shareholding Company incorporated on January 3, 1993, and its shares are publicly traded in Boursa Kuwait. The Parent Company is registered in Commercial Register under No. 49911 dated March 28, 1993.

The main objectives of the Parent Company are as follows:

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

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

The Parent Company is located at Shuaiba Industrial Area, Al-Ahmadi, Plot 3 and its registered postal address is P.O. Box 9801, 61008, Kuwait.

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on March 25, 2025.

2- Material accounting policies information

a) Basis of preparation:

The consolidated financial statements of the Group have been prepared in accordance with the IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Material accounting policies are summarized as follows:

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Group and are prepared under the historical cost basis except for financial assets at FVOCI and financial assets at FVTPL that are stated at their fair value.

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 IFRS Accounting 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 – z). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2023.

Adoption of new and revised Standards

New and revised 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 revised IFRS Accounting Standards as of January 1, 2024:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 require a seller-lessee, in measuring the lease liability arising in a sale and leaseback transaction, not to recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of the consolidated financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments must be applied retrospectively.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

These amendments to paragraphs 69 to 76 of IAS 1 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 must be applied retrospectively.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

These amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of the consolidated financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The adoption of the above amendments and interpretations did not have material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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New and revised Standards issued but not yet effective

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

IFRS 18 Presentation and Disclosures in Financial Statements

The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the consolidated statement of profit or loss,
- provide disclosures on management-defined performance measures (MPMs) in the notes to the consolidated financial statements,
- improve aggregation and disaggregation.

IFRS 18 requires retrospective application with specific transition provisions. An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027 with earlier application permitted.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The new standard, IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. An entity is required to apply IFRS 19 for annual reporting periods beginning on or after 1 January 2027.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

An entity is required to apply these amendments for annual reporting periods beginning on or after 1 January 2026. The amendments include:

- A clarification that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

An entity is required to recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity.

These amendments are not expected to have any material impact on the consolidated financial statements.

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b) Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries:

| Name of the subsidiary | Principal activities | Country of incorporation | Ownership interest % | |
|---|---|--------------------------|----------------------|--------|
| | | | 2024 | 2023 |
| Directly held : | | | | |
| Napasco International Petroleum Services – S.P.C. (“Napasco International”) | Drilling & maintenance of oil wells and chemical waste management | State of Kuwait | 100% | 100% |
| United Oil Projects Company K.S.C.C. (“UOP”) | Petrochemical activities | State of Kuwait | 55.59% | 52.92% |
| Indirectly held through Napasco International : | | | | |
| Napasco India – L.L.P. (“Napasco India”) | Support activities for petroleum & natural gas mining incidental to onshore and offshore oil & gas extraction | India | 99.99% | 99.99% |
| Indirectly held through UOP : | | | | |
| United Qmax Drilling Fluids Company - W.L.L. | Petroleum activities | State of Kuwait | 100% | 51% * |

Under shares purchase agreements dated January 30, 2024, and August 25, 2024, between the Group's management and Qmax Solutions Inc., the Group acquired the remaining 49% ownership interest in United Qmax Drilling Fluids Company - W.L.L. (* formerly a 51%-owned joint venture of the Group) for a total consideration of KD 688,860, of which KD 153,802 was paid in cash during the current year, while KD 535,058 represents tax liabilities of the selling company, which the Group will assume.

The Group's management accounted for the transaction in accordance with IFRS 3, Business Combinations – Step Acquisition. On December 19, 2024, the Group satisfied all contractual obligations and conditions of the purchase agreements and obtained control over the subsidiary, effective December 19, 2024 (date of obtaining control over the subsidiary). Therefore, the financial statements of the subsidiary were then consolidated in accordance with IFRS 10 – Consolidated Financial Statements.

At the date of obtaining control, the Group's management assessed the provisional fair values of the net identifiable assets and liabilities of the subsidiary at KD 6,896,931 based on the carrying amounts of the net identifiable assets and liabilities of the subsidiary at the date of obtaining control. The management is still in the process of finalizing the fair value measurement of the net assets acquired.

As a result of the acquisition, a gain amounting to KD 2,606,240 was recognized, and its breakdown is as follows:

| | December 19, 2024 |
|--|-------------------|
| Acquisition consideration | 688,860 |
| Add: Provisional fair values of the previously held interest in the joint venture (Note 5) | 3,601,831 |
| Total | 4,290,691 |
| Less: Provisional fair values of the net identifiable assets of the subsidiary | 6,896,931 |
| Gain on acquisition | 2,606,240 |

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Summarized statement of financial position of the acquired subsidiary as at the acquisition date as follows:

| | December 19, 2024 |
|---|------------------------------|
| <u>Assets</u> | |
| Bank balances and cash | 2,180,229 |
| Accounts receivable and other debit balances | 2,641,557 |
| Inventories | 993,248 |
| Property, plant and equipment | 1,800,789 |
| Other assets | 1,434,591 |
| Total assets | 9,050,414 |
| <u>Liabilities</u> | |
| Accounts payable and other credit balances | 1,997,982 |
| Other liabilities | 155,501 |
| Total Liabilities | 2,153,483 |
| Net assets | 6,896,931 |
| Provisional fair values of net identifiable assets of the subsidiary | 6,896,931 |

Subsidiaries are those companies controlled by the Parent Company. Control is achieved 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 investee's 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 Parent Company 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. The Company considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by the Parent Company, other vote holders or other parties.
- rights arising from other contractual arrangements.
- any additional facts and circumstances that indicate that the Parent Company has the financial 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 of acquisition of control until the date of loss of control. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in consolidated statement of profit or loss and other comprehensive income from the date the Parent Company acquires control until the date when the Parent Company loses control over the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in consolidation. Consolidated financial statements are prepared using consistent accounting policies for transactions and other events in similar circumstances.

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

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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 Parent Company'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 the Parent Company's shareholders. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interests.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in the consolidated statement of profit or loss.
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of profit or loss and other comprehensive income to the consolidated 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 by the Group 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 date of consolidated financial statements.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the date of consolidated financial statements.

The Group classifies all other assets 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.
- Expected to be settled within twelve months after the date of the consolidated financial statements.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the date of consolidated financial statements.

The Group classifies all other liabilities as non-current.

d) Financial instruments:

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 of the contractual provisions of such instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities carried on the consolidated statement of financial position include bank balances and cash, term deposits, due from / to related parties, receivables, financial assets at FVOCI, contract assets and liabilities, financial assets at FVTPL, lease liabilities and payables.

1) Financial assets

Classification of financial assets

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 Group's business model for managing the Group's assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages group 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 FVTPL. 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 the 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 FVTPL.

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 by the Group, 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.
- Equity instruments at FVOCI, with no recycling of gains or losses to the consolidated statement of profit or loss on derecognition.
- Financial assets at FVTPL.

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Debt instruments at amortized costs

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.
- 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 the consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Bank balances and cash, term deposits, trade receivables, due from a related party and contract assets are classified as debt instruments at amortized cost.

- Term deposits
Term deposits are placed with banks and have a contractual maturity of more than three months.
- Trade receivables
Receivables are amounts due from customers for merchandise sold, units rental or services performed in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they are neither held for trading nor a contingent consideration arising from a business combination. Such classification is determined on an instrument-by- instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in the consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income.

The Group classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI (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 FVOCI on initial recognition (see above).
- Debt instruments that do not meet the amortized cost criteria or the FVOCI criteria (see above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVOCI 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.

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.

The Group classifies investments in equity instruments and quoted debt instruments as financial assets at FVTPL in the consolidated statement of financial position.

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 applies the standard's simplified approach and calculates 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 establishes 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 are segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship, where applicable.

For related parties 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 debt 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.
- 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. 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 for financial assets 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 date of consolidated financial statements.

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 measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss. For debt instruments at FVOCI, the provision is recognized in the consolidated statement of profit or loss.

The Group considers a financial asset as credit impaired when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2) Financial liabilities

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

Financial liabilities at amortized cost

Financial liabilities that are not carried at fair value as above are measured at amortized cost using the effective interest method.

- 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. 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.

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 and other 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 profit or loss as the modification gain or loss within other gains and losses.

3) 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 realize the assets and settle the liabilities simultaneously.

e) Contract assets:

A contract asset is the Group's right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract assets is assessed for impairment under the simplified approach in accordance with IFRS 9: Financial Instruments.

f) Inventories:

Inventories are valued at the lower of average cost or net realizable value after providing allowances for any obsolete or slow-moving items. Inventories costs comprise direct materials indirect 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-off is made for obsolete and slow-moving items based on their expected future use and net realizable value.

g) Investment in associates:

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 but is not control or joint control over those policies. The Group's Investments in associates are accounted for using the equity method. 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's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's 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.

Unrealized gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate 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 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. 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.

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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 are recognized in consolidated statement of profit or loss.

h) Joint arrangements:

The Group classifies its interests in joint arrangements as joint ventures depending on the Group's right to the assets and obligations for the liabilities of the arrangements.

a) Joint ventures:

A joint venture is an arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted based on equity method similar to associates (2 – g).

i) Business combinations:

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in consolidated statement of profit or loss or other comprehensive income as appropriate.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9: "Financial Instruments". If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The Group's management accounts for the consolidation of the results of the subsidiaries under the joint control of the Ultimate Parent Company and its subsidiaries using the book values of the net assets of the acquired subsidiary, and includes the difference between the acquired net assets and the sale consideration as gains or losses on retained earnings in the consolidated statement of changes in equity.

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j) Property, plant and equipment:

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 the consolidated statement of profit or loss in the period 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. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off.

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 the consolidated statement of profit or loss. 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 property, plant and equipment as follows:

| | Years |
|------------------------|-------|
| Buildings | 20 |
| Locations improvements | 10 |
| Plant and machinery | 10 |
| Furniture and fixtures | 3 |
| Motor vehicles | 3 |

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.

k) Impairment of non-financial assets:

At the end of reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment. 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 an appropriate discount rate. The discount rate should reflect 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 (cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the carrying amount of relevant asset is revalued, in which case the impairment loss is treated as a revaluation decrease.

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

l) Contract liabilities:

A contract liability arises if a customer pays consideration, or if the Group has a right to consideration that is unconditional, before the good or service is transferred to the customer. Contract liabilities are recognized as revenue when the Group performs under the contract.

m) Provision for end of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti Labour 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.

n) 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 consolidated statement of financial position.

o) 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.

p) Share premium:

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

q) 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 till the holding period of treasury shares. 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.

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Where any of the 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.

r) Revenue from contracts with customers:

The Group is primarily in the business of providing various oilfields (i.e. cementing, simulations services) and non-oilfields services (i.e. health and safety services). Revenue from contracts with customers is 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 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 for transferring promised goods and 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 Group 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 contractual 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 Group's performance as the Group 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, or
- The Group's performance does not create an asset with an alternative use to the Group and the Group 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.

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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 had 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:

- **Sales**

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized at the point in time 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. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

When such items are either customized or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognized over time as the recognized on or integration work is performed.

- **Rendering of services**

Revenue from service contracts is recognized when the service is rendered. The Group enters into fixed price contracts with its customers. Customers are required to pay in advance and the relevant payment due dates are specified in each contract. Revenue is recognized over time based on the ratio between the number of hours of services provided in the current period and the total number of such hours expected to be provided under each contract.

- **Other income**

Other income is recognized on accrual basis.

s) **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 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 future value of the expenditures expected to be required to settle the obligation.

Contingent liabilities recognized in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount recognized initially less cumulative amount of income recognized in accordance with the principles of IFRS 15.

Onerous contracts

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

Provisions are not recognized for future operating losses.

t) Leases:

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.

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.

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 its current borrowing rate at the lease commencement date because 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.

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.

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u) National Labor Support (NLST):

National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from associates and subsidiaries listed in Boursa Kuwait, share of NLST paid by subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their Executive Regulations.

v) Zakat:

Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

w) 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 the 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 FVTPL are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as FVOCI are included in "cumulative changes in fair value" in the consolidated other comprehensive income.

x) 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.

y) Segment reporting:

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.

z) Critical accounting estimates, assumptions 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. The actual results may differ from such estimates.

1- 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 significant effect on the amounts recognized in the consolidated financial statements.

- 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 policy for revenue from contracts with customers explained in Note (2 – r) are met requires significant judgment.

- 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.

- Provision for expected credit losses and inventories

The determination of the recoverability of the amount due from customers and the marketability of the inventories and the factors determining the impairment of the receivables and inventories involve significant judgment.

- 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 – d).

- Business combinations

At the time of acquisition to subsidiaries, the Parent Company considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Parent Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

- Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

- 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.

- 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.

- 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 selling prices of lease and non-lease components.

2- Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

- Fair value of unquoted financial assets

If the market for a financial asset is not active or not available (or unquoted securities), the Group establishes fair value by using valuation techniques. They 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.

- 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.

- Provision for expected credit losses and inventories

The extent of provision for expected credit losses and inventories involves estimation process. The provision for expected credit loss 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 written-off include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

- Impairment of non-financial assets

Impairment happens when the carrying value of asset (or cash generating unit) exceeds the recoverable amount. It is the higher of the fair value less costs to sell and 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 (or 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.

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- Taxes

The Group recognizes a liability for the anticipated taxes levied in the jurisdictions of its activity based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions may have an impact on the carrying values of the deferred taxes.

- 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.

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3- Property, plant and equipment

| | Buildings | Locations improvements | Plant and machinery | Furniture and fixtures | Motor vehicles | Total |
|--|------------------|---------------------------|------------------------|---------------------------|-------------------|-------------------|
| Cost: | | | | | | |
| At January 1, 2024 | 4,875,032 | - | 35,479,293 | 860,525 | 642,189 | 41,857,039 |
| Additions | 48,989 | - | 2,723,922 | 36,720 | 205,006 | 3,014,637 |
| Disposals | - | - | (607,234) | (463,620) | (46,780) | (1,117,634) |
| Written off | - | - | (2,474) | (36,424) | - | (38,898) |
| Related to acquisition of a subsidiary | 1,649,799 | 1,075,581 | - | 46,106 | - | 2,771,486 |
| At December 31, 2024 | 6,573,820 | 1,075,581 | 37,593,507 | 443,307 | 800,415 | 46,486,630 |
| Accumulated depreciation: | | | | | | |
| At January 1, 2024 | 3,767,288 | - | 22,895,982 | 788,711 | 446,343 | 27,898,324 |
| Depreciation charge for the year | 133,462 | - | 2,483,654 | 37,821 | 189,893 | 2,844,830 |
| Related to disposals | - | - | (607,234) | (463,365) | (46,780) | (1,117,379) |
| Related to written off | - | - | (2,472) | (36,379) | - | (38,851) |
| Related to acquisition of a subsidiary | 461,474 | 467,113 | - | 42,110 | - | 970,697 |
| At December 31, 2024 | 4,362,224 | 467,113 | 24,769,930 | 368,898 | 589,456 | 30,557,621 |
| Net carrying value: | | | | | | |
| At December 31, 2024 | 2,211,596 | 608,468 | 12,823,577 | 74,409 | 210,959 | 15,929,009 |
| At December 31, 2023 | 1,107,744 | - | 12,583,311 | 71,814 | 195,846 | 13,958,715 |

- Buildings are constructed on a leasehold lands leased from the Public Authority of Industry.
- Depreciation charged for the year is allocated as follows:

| | 2024 | 2023 |
|---|------------------|------------------|
| Cost of sales and services rendered | 2,785,805 | 2,504,842 |
| General and administrative expenses (Note 21) | 59,025 | 30,783 |
| | 2,844,830 | 2,535,625 |

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| | Buildings | Plant and machinery | Furniture and fixtures | Motor vehicles | Total |
|--|-----------|---------------------|------------------------|----------------|------------|
| Cost: | | | | | |
| At January 1, 2023 | 3,240,650 | 30,891,389 | 698,714 | 576,067 | 35,406,820 |
| Additions | 83,704 | 3,538,909 | 55,777 | 96,600 | 3,774,990 |
| Disposals | - | (441,407) | - | (123,795) | (565,202) |
| Written off | (135,229) | (27,831) | (53,297) | - | (216,357) |
| Related to acquisition of a subsidiary | 1,685,907 | 1,518,233 | 159,331 | 93,317 | 3,456,788 |
| At December 31, 2023 | 4,875,032 | 35,479,293 | 860,525 | 642,189 | 41,857,039 |
| Accumulated depreciation: | | | | | |
| At January 1, 2023 | 2,250,098 | 19,795,519 | 670,929 | 368,033 | 23,084,579 |
| Depreciation charge for the year | 138,305 | 2,264,556 | 23,964 | 108,800 | 2,535,625 |
| Related to disposals | - | (441,407) | - | (123,795) | (565,202) |
| Related to written off | (76,022) | (27,490) | (53,297) | - | (156,809) |
| Related to acquisition of a subsidiary | 1,454,907 | 1,304,804 | 147,115 | 93,305 | 3,000,131 |
| At December 31, 2023 | 3,767,288 | 22,895,982 | 788,711 | 446,343 | 27,898,324 |
| Net carrying value: | | | | | |
| At December 31, 2023 | 1,107,744 | 12,583,311 | 71,814 | 195,846 | 13,958,715 |
| At December 31, 2022 | 990,552 | 11,095,870 | 27,785 | 208,034 | 12,322,241 |

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4- Investment in associates

Investment in associates consists of the following:

| Name of associate | Country of incorporation | Principal activities | Percentage of ownership | | Carrying value | |
|---|--------------------------|-------------------------------------|-------------------------|-------|-------------------|-------------------|
| | | | 2024 | 2023 | 2024 | 2023 |
| United Precision Drilling Company – W.L.L. ("UPDC") | State of Kuwait | Sale of oil equipment | 47.5% | 47.5% | 3,261,323 | 2,987,237 |
| JTC Logistics Transportation & Stevedoring Co. – K.S.C.P. ("JTC") | State of Kuwait | Transport and Stevedoring operation | 21.22% | 20% | 15,127,216 | 13,627,891 |
| | | | | | <u>18,388,539</u> | <u>16,615,128</u> |

Movement during the year is as follows:

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Balance at the beginning of the year | 16,615,128 | - |
| Related to acquisition of a subsidiary | - | 16,615,128 |
| Additions | 675,371 | - |
| Group's share of results from associates | 2,436,388 | - |
| Group's share of associates' other comprehensive income | 64,157 | - |
| Cash dividends received | (1,402,505) | - |
| Balance at the end of the year | <u>18,388,539</u> | <u>16,615,128</u> |

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Summarized financial information for associates is as follows:

| | 2024 | | |
|---|--------------|--------------|--------------|
| Summarized statement of financial position: | UPDC | JTC | Total |
| Assets: | | | |
| Non-current assets | 10,331,229 | 57,423,613 | 67,754,842 |
| Current assets | 30,771,866 | 17,908,723 | 48,680,589 |
| Total assets | 41,103,095 | 75,332,336 | 116,435,431 |
| Liabilities: | | | |
| Non-current liabilities | 7,947,381 | 10,599,683 | 18,547,064 |
| Current liabilities | 26,939,960 | 9,087,335 | 36,027,295 |
| Total Liabilities | 34,887,341 | 19,687,018 | 54,574,359 |
| Net assets | 6,215,754 | 55,645,318 | 61,861,072 |
| Ownership interest | 47.5% | 21.22% | - |
| Group's share in associates' net assets | 2,952,483 | 11,807,937 | 14,760,420 |
| Goodwill | 308,840 | 3,319,279 | 3,628,119 |
| Carrying value of investment in associates | 3,261,323 | 15,127,216 | 18,388,539 |
| Fair value of the Group's interest in the quoted associates | - | 12,128,488 | 12,128,488 |
| Summarized statement of profit or loss and other comprehensive income: | | | |
| Operating revenue | 48,766,481 | 28,508,613 | 77,275,094 |
| Operating costs | (46,626,280) | (21,817,788) | (68,444,068) |
| Profit for the year | 2,140,201 | 6,690,825 | 8,831,026 |
| Other comprehensive income for the year | - | 302,342 | 302,342 |
| Total comprehensive income for the year | 2,140,201 | 6,993,167 | 9,133,368 |
| Group's share of results from associates | 1,016,595 | 1,419,793 | 2,436,388 |
| Group's share of associates' other comprehensive income | - | 64,157 | 64,157 |
| | 1,016,595 | 1,483,950 | 2,500,545 |
| Cash dividends received | 742,505 | 660,000 | 1,402,505 |
| Contingent liabilities of the associates | 49,824,358 | 4,656,064 | 54,480,422 |
| | | | |
| | 2023 | | |
| Summarized statement of financial position: | UPDC | JTC | Total |
| Assets: | | | |
| Non-current assets | 10,811,449 | 49,989,118 | 60,800,567 |
| Current assets | 23,496,352 | 25,707,094 | 49,203,446 |
| Total assets | 34,307,801 | 75,696,212 | 110,004,013 |
| Liabilities: | | | |
| Non-current liabilities | 9,780,050 | 16,494,567 | 26,274,617 |
| Current liabilities | 18,889,021 | 7,640,171 | 26,529,192 |
| Total Liabilities | 28,669,071 | 24,134,738 | 52,803,809 |
| Net assets | 5,638,730 | 51,561,474 | 57,200,204 |
| Ownership interest | 47.5% | 20% | - |
| Group's share in associates' net assets | 2,678,397 | 10,312,295 | 12,990,692 |
| Goodwill | 308,840 | 3,315,596 | 3,624,436 |
| Carrying value of investment in associates | 2,987,237 | 13,627,891 | 16,615,128 |
| Fair value of the Group's interest in the quoted associates | - | 9,720,000 | 9,720,000 |
| Contingent liabilities of associates | 39,217,637 | 7,209,309 | 46,426,946 |

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5- Investment joint venture

Investment in joint venture consists of the following:

| Name of joint venture | Country of incorporation | Principal activities | Percentage of ownership | | Carrying value | |
|--|--------------------------|----------------------|-------------------------|------|----------------|-----------|
| | | | 2024 | 2023 | 2024 | 2023 |
| United Qmax Drilling Fluids Company – W.L.L. | State of Kuwait | Petroleum activities | 100% * | 51% | - | 1,601,491 |
| | | | | | - | 1,601,491 |

* During the year ended December 31, 2024, the Group acquired control over the joint venture, and its ownership interest in the joint venture increased to 100%, as detailed in Note 2 – b.

Movement during the year is as follows:

| | 2024 | 2023 |
|---|-------------|-----------|
| Balance at the beginning of the year | 1,601,491 | - |
| Related to acquisition of a subsidiary | - | 1,601,491 |
| Group's share of results from joint venture until date of obtaining control | 2,159,378 | - |
| Cash dividends received | (159,038) | - |
| Effect of obtaining control over the joint venture (Note 2 - b) | (3,601,831) | - |
| Balance at the end of the year | - | 1,601,491 |

Summarized financial information for the joint venture is as follows:

Summarized statement of financial position:

| | 2024 | 2023 |
|---|------|-----------|
| Total assets | - | 6,406,738 |
| Total Liabilities | - | 3,266,559 |
| Net assets | - | 3,140,179 |
| Ownership interest | - | 51% |
| Group's share in joint venture's net assets | - | 1,601,491 |
| Carrying value of investment in a joint venture | - | 1,601,491 |

Summarized statement of profit or loss and other comprehensive income:

| | From January 1, 2024, till date of control |
|---|--|
| Operating revenue | 13,061,470 |
| Operating costs | (8,827,396) |
| Profit for the year | 4,234,074 |
| Group's share of results from joint venture | 2,159,378 |
| Cash dividends received | 159,038 |

6- Financial assets at fair value through other comprehensive income ("FVOCI")

| | 2024 | 2023 |
|---------------------|---------|-----------|
| Quoted securities | - | 19,401 |
| Unquoted securities | 605,467 | 1,153,319 |
| | 605,467 | 1,172,720 |

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Movement during the year is as follows:

| | 2024 | 2023 |
|--|-----------|-----------|
| Balance at the beginning of the year | 1,172,720 | - |
| Related to acquisition of a subsidiary | - | 1,172,720 |
| Disposals | (20,110) | - |
| Change in fair value | (547,143) | - |
| Balance at the end of the year | 605,467 | 1,172,720 |

Financial assets at FVOCI are measured at fair value as presented in Note (28).

7- Inventories

| | 2024 | 2023 |
|---|-------------|-------------|
| Cement, acidizing chemicals and processed mud | 5,760,640 | 3,821,343 |
| Spare parts and tools | 1,532,049 | 1,499,732 |
| Finished goods | 195,374 | 212,326 |
| | 7,488,063 | 5,533,401 |
| Less: provision for slow moving inventories (a) | (1,049,797) | (1,001,956) |
| | 6,438,266 | 4,531,445 |

(a) Provision for slow moving inventories:

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

| | 2024 | 2023 |
|---|-----------|-----------|
| Balance at the beginning of the year | 1,001,956 | 936,027 |
| Charge for the year (included under cost of sales and services rendered) | 25,260 | 28,454 |
| Provision no longer required (included under cost of sales and services rendered) | - | (72,615) |
| Related to acquisition of a subsidiary | 22,581 | 110,090 |
| | 1,049,797 | 1,001,956 |

8- Trade receivables and contract assets

| | 2024 | 2023 |
|--|------------|------------|
| Trade receivables (a) | 7,703,813 | 9,115,824 |
| Less: provision for expected credit losses (b) | (426,588) | (182,453) |
| Net trade receivables | 7,277,225 | 8,933,371 |
| Contract assets | 3,998,713 | 3,721,742 |
| | 11,275,938 | 12,655,113 |

(a) Trade receivables:

Trade receivables are non-interest bearing and are generally due within 60 days.

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses 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 respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on aging profile of customers over the past 3 to 5 years before December 31, 2024 and January 1, 2024 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.

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Trade receivables are written off 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 contract assets, 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 base.

| <u>December 31, 2024:</u> | Contract assets * | Trade receivables | | | | Total |
|---|-------------------|-------------------|-------------------|---------------|--------------------|------------|
| | | Current | Less than 90 days | 91 – 180 days | More than 180 days | |
| Average expected credit loss rates | - | 0.28% | 1.22% | 4.45% | 47.74% | |
| Gross carrying amounts | 3,998,713 | 4,479,919 | 2,006,246 | 443,069 | 774,579 | 11,702,526 |
| Lifetime expected credit losses | - | (12,576) | (24,534) | (19,714) | (369,764) | (426,588) |
| Net trade receivables and contract assets | 3,998,713 | 4,467,343 | 1,981,712 | 423,355 | 404,815 | 11,275,938 |

| <u>December 31, 2023:</u> | Contract assets * | Trade receivables | | | | Total |
|---|-------------------|-------------------|-------------------|---------------|--------------------|------------|
| | | Current | Less than 90 days | 91 – 180 days | More than 180 days | |
| Average expected credit loss rates | - | 0.10% | 0.61% | 2.09% | 23.45% | |
| Gross carrying amounts | 3,721,742 | 3,496,966 | 3,313,993 | 1,787,344 | 517,521 | 12,837,566 |
| Lifetime expected credit losses | - | (3,484) | (20,197) | (37,438) | (121,334) | (182,453) |
| Net trade receivables and contract assets | 3,721,742 | 3,493,482 | 3,293,796 | 1,749,906 | 396,187 | 12,655,113 |

* The Group's management has assessed that the expected credit losses do not materially impact contract assets, as these balances are due from Kuwait Oil Company (KOC), a government-owned entity with high credit quality, and are billed regularly, with no history of default.

(b) Provision for expected credit losses:

Movement in provision for expected credit losses during the year is as follows:

| | 2024 | 2023 |
|--|---------|-----------|
| Balance at the beginning of the year | 182,453 | 420,129 |
| Charged during the year | 243,200 | - |
| Provision no longer required | - | (75,656) |
| Related to acquisition of a subsidiary | 935 | 63,463 |
| Utilized during the year | - | (225,483) |
| Balance at the end of the year | 426,588 | 182,453 |

9- Prepayments and other debit balances

| | 2024 | 2023 |
|-----------------------------------|-----------|-----------|
| Advance payments to suppliers | 1,260,347 | 1,068,310 |
| Staff receivables | 519,088 | 411,718 |
| Deposits and other debit balances | 785,674 | 768,909 |
| | 2,565,109 | 2,248,937 |

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10- Related party disclosures

The Group has entered into various transactions with related parties, i.e., shareholders and entities under common control and other related parties. The prices and terms of payment related to these transactions are approved by the Group's management. The significant related party transactions and balances are as follows:

| <u>Balances included in the consolidated statement of financial position:</u> | Entities under common control | Shareholders | Other related parties | Total | |
|---|-------------------------------|--------------|-----------------------|-----------|-------------|
| | | | | 2024 | 2023 |
| Financial assets at FVTPL | 792 | - | - | 792 | 319 |
| Financial assets at FVOCI | - | - | - | - | 19,401 |
| Term deposits | 8,505,037 | - | - | 8,505,037 | 3,002,346 |
| Bank balances | 3,778,212 | - | - | 3,778,212 | 1,370,494 |
| Due from a related party (a) | - | - | - | - | 278,151 |
| Account payables and accrued expenses | - | - | - | - | (3,673,387) |
| Dividends payable (Note 18) | - | (453,301) | - | (453,301) | (383,249) |
| Due to a related party | (14,093) | - | - | (14,093) | - |

Transactions included in the consolidated statement of profit or loss and other comprehensive income:

| | | | | | |
|-------------------------------------|---------|---|--------|---------|---------|
| Interest income | 352,054 | - | - | 352,054 | - |
| General and administrative expenses | 9,886 | - | - | 9,886 | 101,693 |
| Cost of sales and services rendered | - | - | - | - | 28,051 |
| Other income | - | - | 30,000 | 30,000 | - |

Contingent liabilities

| | | | | | |
|----------------------|-----------|---|---|-----------|-----------|
| Letters of guarantee | 7,837,577 | - | - | 7,837,577 | 6,457,426 |
|----------------------|-----------|---|---|-----------|-----------|

(a) Due from a related party is classified in the consolidated statement of financial position as follows:

| | 2024 | 2023 |
|---------------------|------|---------|
| Non-current portion | - | 17,579 |
| Current portion | - | 260,572 |
| | - | 278,151 |

Compensation to key management personnel:

| | Transactions values for the year ended December 31 | | Balances outstanding as at December 31 | |
|--|--|---------|--|---------|
| | 2024 | 2023 | 2024 | 2023 |
| Salaries and other short-term benefits | 524,632 | 685,353 | 168,000 | 56,800 |
| Employees' end of service benefits | 16,809 | 33,157 | 32,221 | 15,412 |
| Board of directors' remuneration | 169,381 | 136,851 | 169,381 | 136,851 |
| | 710,822 | 855,361 | 369,602 | 209,063 |

11- Term deposits

The interest rates on term deposits ranges from 3.875% to 4.55% per annum (2023: 4.46% to 4.55% per annum). These deposits have average contractual maturities ranging from three months to twelve months (2023: ranging from three months to twelve months) and are denominated in Kuwaiti Dinars and placed with local banks.

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12- Bank balances and cash

| | 2024 | 2023 |
|-------------------|------------------|------------------|
| Cash on hand | 5,563 | 5,404 |
| Cash in portfolio | 407,162 | - |
| Cash at banks | 4,828,842 | 2,655,557 |
| | 5,241,567 | 2,660,961 |

13- Share capital

Authorized, issued and paid up capital consists of 100,000,000 shares of 100 fils each (2023: Authorized, issued and paid up capital consists of 100,000,000 shares of 100 fils each) and all shares are in cash.

14- Treasury shares

| | 2024 | 2023 |
|-----------------------------|--------------------|--------------------|
| Number of treasury shares | 9,659,912 | 9,659,912 |
| Percentage of issued shares | 9.66% | 9.66% |
| Market value (KD) | 8,693,921 | 7,756,909 |
| Cost (KD) | (6,002,371) | (6,002,371) |

Reserves equivalent to the cost of the treasury shares are held and not available for distribution during the holding period of such shares by the Group as per Capital Market Authority guidelines.

15- 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 KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent 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 Parent Company's Articles of Association. The Parent Company's shareholders at the Annual General Assembly Meeting held on March 28, 2019, approved to discontinue the transfer to the statutory reserve, as the statutory reserve balance exceeded 50% of the Parent Company's capital.

16- 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 KFAS, NLST, Zakat and Board of Directors' remuneration 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 Parent Company's shareholders at the Annual General Assembly Meeting held on March 28, 2019, approved to discontinue the transfer to the voluntary reserve.

17- Provision for employees' end of service benefits

| | 2024 | 2023 |
|--|------------------|------------------|
| Balance at the beginning of the year | 2,779,532 | 3,452,533 |
| Charged during the year | 801,611 | 610,253 |
| Paid during the year | (365,161) | (1,698,784) |
| Related to acquisition of a subsidiary | 55,840 | 415,530 |
| Balance at the end of the year | 3,271,822 | 2,779,532 |

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18- Account payables and accrued expenses

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Trade payables (a) | 3,877,777 | 2,024,869 |
| Dividends payable (Note 10) | 453,301 | 383,249 |
| Other dividends payable | 303,339 | 260,181 |
| Accrued staff costs | 1,786,694 | 1,681,370 |
| Advances received | 378,009 | 357,868 |
| Taxes payable | 722,737 | 444,330 |
| Accrued Board of Directors' remuneration (Note 10) | 169,381 | 136,851 |
| Contract liabilities | 440,447 | 485,288 |
| Due to a related party for acquisition of a subsidiary (c) | - | 3,544,017 |
| Other accrued expenses and provisions | 2,681,809 | 2,332,326 |
| | 10,813,494 | 11,650,349 |

- a) Trade payables are non-interest bearing and are normally settled on average period of 90 days.
- b) The carrying amounts of accounts payable and other credit balances largely correspond to their fair values.
- c) The outstanding amount of KD 3,544,017 as of December 31, 2023, includes KD 3,529,920 payable to a related party for the acquisition of the subsidiary, United Oil Projects Company – K.S.C.C., which was acquired in the prior year, and this amount was settled during the current year.

19- Sales and services revenue

Below is the disaggregation of the Group's sales and services revenue:

| <u>Type of goods or services</u> | 2024 | 2023 |
|---|-------------------|-------------------|
| <u>Oil field contracts</u> | | |
| Pumping services | 33,085,604 | 32,007,512 |
| <u>Non-oil field contracts</u> | | |
| Health, safety, environment and man-power supply services | 4,421,850 | 6,499,158 |
| Other services | 892,855 | 1,016,129 |
| Sale of chemicals and other material | 2,628,589 | - |
| Total sales and services revenue | 41,028,898 | 39,522,799 |
| <u>Timing of revenue recognition</u> | | |
| Goods and services transferred at a point in time | 2,916,419 | 57,627 |
| Goods and services transferred over time | 38,112,479 | 39,465,172 |
| Total sales and services revenue | 41,028,898 | 39,522,799 |
| <u>Geographical markets</u> | | |
| State of Kuwait | 40,129,914 | 39,430,887 |
| Others | 898,984 | 91,912 |
| | 41,028,898 | 39,522,799 |

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20- Investment income

| | 2024 | 2023 |
|--|---------------|---------------|
| Dividends income | 41,989 | 60,099 |
| Realized gain on sale of financial assets at FVTPL | 2,500 | - |
| Change in fair value of financial assets at FVTPL | 469 | 782 |
| | <u>44,958</u> | <u>60,881</u> |

21- General and administrative expenses

| | 2024 | 2023 |
|---|------------------|------------------|
| Staff costs | 2,077,892 | 1,957,220 |
| Depreciation expense (Note 3) | 59,025 | 30,783 |
| Amortization of right-of-use assets | 30,072 | 50,660 |
| Interest expense on lease liabilities | 9,726 | 21,140 |
| Professional fees | 201,060 | 101,072 |
| Marketing and business development expenses | 69,495 | 188,288 |
| Charity expense | 172,555 | 85,985 |
| Other expenses | 882,673 | 557,382 |
| | <u>3,502,498</u> | <u>2,992,530</u> |

22- Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Other Taxation

KFAS

Contribution to KFAS is calculated at 1% of the net profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration.

Movement in accrued contribution to KFAS is as follows:

| | 2024 | 2023 |
|--|----------------|---------------|
| Due amount at the beginning of the year | 91,234 | 72,871 |
| Deducted from the net profit for the year for the KFAS | 107,270 | 91,234 |
| Paid during the year | (91,234) | (72,871) |
| Due amount at the end of the year | <u>107,270</u> | <u>91,234</u> |

Other Taxation

Pillar 2 Income Taxes

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities (MNE Group) whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction they operate. The jurisdiction in which the Group operates has joined the IF.

Currently the Group's revenue does not exceed EUR 750 million but may be exposed to the global minimum tax by virtue of the Ultimate Parent Company which is domiciled and operating in the State of Kuwait. On 31 December 2024, the State of Kuwait enacted Law No. 157 of 2024 (the "Law"), introducing a Domestic Minimum Top-Up Tax (DMTT) effective from 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The taxable income and effective tax rate shall be computed in accordance with the Executive regulations which will be issued within six months from the date of issue of the Law.

In the absence of Executive Regulations in Kuwait, the expected impact in 2025 cannot be reasonably estimated at this time.

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23- Basic and diluted earnings per share attributable to the Parent Company's Shareholders

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

| | <u>2024</u> | <u>2023</u> |
|---|--------------------------|--------------------|
| Profit for the year attributable to the Parent Company's Shareholders | <u>13,424,081</u> | <u>8,595,516</u> |
| <u>Number of shares outstanding:</u> | | |
| Weighted average number of ordinary shares | 100,000,000 | 100,000,000 |
| Less: Weighted average number of treasury shares | <u>(9,659,912)</u> | <u>(3,054,739)</u> |
| Weighted average number of shares outstanding during the year | <u>90,340,088</u> | <u>96,945,261</u> |
| Basic and diluted earnings per share attributable to the Parent Company's Shareholders (fils) | <u>148.59</u> | <u>88.66</u> |

24- Shareholders Annual General Assembly and Board of Directors of the Parent Company's

The Board of Directors' meeting held on March 25, 2025, recommended cash dividends of 70 fils per share (totaling KD 6,323,806), and Board of Directors' remuneration of KD 169,381 for the year ended December 31, 2024. These recommendations are subject to the approval of the Parent Company's Shareholders' Annual General Assembly.

The Ordinary General Assembly of the Parent Company's Shareholders held on May 20, 2024 approved the consolidated financial statements for the year ended December 31, 2023 and approved the recommendations of the Board of Directors to distribute cash dividends of 60 fils per share (totaling KD 5,420,405), and remuneration for the Parent Company's Board of Directors amounting to KD 136,851 for the year ended on December 31, 2023.

The Ordinary General Assembly of the Parent Company's Shareholders held on May 1, 2023 approved the consolidated financial statements for the year ended December 31, 2022 and approved the recommendations of the Board of Directors to distribute cash dividends of 50 fils per share (totaling KD 4,850,000), and remuneration for the Parent Company's Board of Directors amounting to KD 109,307 for the year ended on December 31, 2022.

25- Contingent liabilities and capital commitments

Contingent liabilities

The Group provided guarantees for the performance of certain contracts as follows:

| | <u>2024</u> | <u>2023</u> |
|--|--------------------------|-------------------|
| Letters of guarantee | <u>34,800,575</u> | 32,464,543 |
| Letters of guarantee – related to the Group's subsidiaries | <u>4,620,726</u> | 4,429,590 |
| | <u>39,421,301</u> | <u>36,894,133</u> |

Capital commitments

As at December 31, 2024, the Group has capital commitments relating to the purchase of property, plant and equipment amounting to KD 1,896,268 (2023: KD 1,724,483).

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26- Segment information

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

- Oil field services** : Oil field services comprise of cementing and stimulation formulations for different applications and operating environments for oil rigs. It mainly includes well cementing services, and drilling services.
- Non-oil field services** : Non-oil field services comprise of a number of diversified activities including health, safety and environmental services, engineering and consultancy services.

The table below presents revenue and profit information for the Group's operating segments December 31, 2024, and December 31, 2023 as follows:

| | For the year ended December 31, 2024 | | | | For the year ended December 31, 2023 | | | |
|--|--------------------------------------|------------------------|--------------------|---------------------|--------------------------------------|------------------------|-------------------|--------------|
| | Oil field services | Non-oil field services | Unallocated items | Total | Oil field services | Non-oil field services | Unallocated items | Total |
| Sales and services revenue | 33,085,604 | 7,943,294 | - | 41,028,898 | 32,007,512 | 7,515,287 | - | 39,522,799 |
| Cost of sales and services (1) | (18,011,053) | (6,873,798) | - | (24,884,851) | (18,870,753) | (7,013,931) | - | (25,884,684) |
| Depreciation expense | (2,455,334) | (330,471) | (59,025) | (2,844,830) | (2,277,478) | (227,364) | (30,783) | (2,535,625) |
| Amortization of right-of-use assets | (111,748) | (64,180) | (30,072) | (206,000) | (200,482) | (60,610) | (50,660) | (311,752) |
| General and administrative expenses (1) | - | - | (3,413,401) | (3,413,401) | - | - | (2,911,087) | (2,911,087) |
| Tax expenses | - | - | (616,636) | (616,636) | - | - | (391,016) | (391,016) |
| Board of Directors' remuneration | - | - | (169,381) | (169,381) | - | - | (136,851) | (136,851) |
| Unallocated income (2) | - | - | 7,832,457 | 7,832,457 | - | - | 1,243,727 | 1,243,727 |
| Profit (loss) for the year | 12,507,469 | 674,845 | 3,543,942 | 16,726,256 | 10,658,799 | 213,382 | (2,276,670) | 8,595,511 |

(1) These amounts exclude depreciation expense and amortization of right-of-use assets.

(2) Net unallocated income includes interest income, investment income, other income, gain on acquisition of a subsidiary, Group's share of results from associates and joint venture and provision for expected credit loss (charged) no longer required.

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The table below presents assets and liabilities information for the Group's operating segments as of December 31, 2024 and December 31, 2023, respectively as follows:

| | 2024 | | | 2023 | | |
|--------------------------------|--------------------|------------------------|-------------------|--------------------|------------------------|-------------------|
| | Oil field services | Non-oil field services | Total | Oil field services | Non-oil field services | Total |
| Segment assets | 45,059,029 | 15,571,063 | 60,630,092 | 49,760,990 | 919,096 | 50,680,086 |
| Unallocated assets | | | 18,994,798 | | | 20,003,162 |
| Total assets | | | 79,624,890 | | | 70,683,248 |
| Segment liabilities | 10,543,246 | 3,620,304 | 14,163,550 | 10,612,076 | 575,113 | 11,187,189 |
| Unallocated liabilities | | | - | | | 3,529,920 |
| Total liabilities | | | 14,163,550 | | | 14,717,109 |

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27- Financial risk management

In the normal course of business, the Group uses primary financial instruments such as bank balances and cash, term deposits, due from / to related parties, receivables, financial assets at FVOCI, contract assets and liabilities, financial assets at FVTPL, lease liabilities and payables. As a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk:

The financial instruments are exposed to the risk of changes in value due to changes in interest rates for financial assets and liabilities with floating rate. The effective interest rates and the periods in which interest-bearing financial liabilities are reprised 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 borrowing rate:

| | 2024 | | |
|---------------|---|--|---|
| | Increase (decrease) in the interest rate $\pm 0.5\%$ | Balance As at December 31 19,116,683 | Effect on consolidated statement of profit or loss $\pm 95,583$ |
| Term deposits | | | |
| | 2023 | | |
| | Increase (decrease) in the interest rate $\pm 0.5\%$ | Balance As at December 31 14,069,746 | Effect on consolidated statement of profit or loss $\pm 70,349$ |
| Term deposits | | | |

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 bank balances, term deposits, due from a related party, contract assets and receivables. Receivables balance is recognized net of provision for expected credit losses.

Bank balances and term deposits

Bank balances and term deposits are measured at amortized cost is considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and term deposits 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 is insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Trade receivables and contract assets

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 shipments 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 maximum limit of the Group's exposure to credit risk arising from default of the counterparty is the nominal value of the bank balances, term deposits, due from a related party, contract assets and receivables.

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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 is exposed to foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The 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 to foreign currency risk is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates used by management against Kuwaiti Dinar:

| | Increase / (Decrease) against Kuwaiti Dinar | Effect on the consolidated statement of profit or loss and other comprehensive income | |
|---------------------------------|---|---|----------|
| | | 2024 | 2023 |
| US Dollars and other currencies | ± 5% | ± 60,015 | ± 67,237 |

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 along with planning and managing the Group's forecasted cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity table for financial liabilities

| | 2024 | | | |
|---------------------------------------|------------------|------------------|-------------|-------------------|
| | 1 – 3 months | 3 - 12 months | 1 - 5 years | Total |
| Accounts payable and accrued expenses | 3,840,620 | 6,972,874 | - | 10,813,494 |
| Due to a related party | 14,093 | - | - | 14,093 |
| Lease liabilities | 23,947 | 40,194 | - | 64,141 |
| Total | 3,878,660 | 7,013,068 | - | 10,891,728 |

| | 2023 | | | |
|---------------------------------------|------------------|------------------|---------------|-------------------|
| | 1 – 3 months | 3 - 12 months | 1 - 5 years | Total |
| Accounts payable and accrued expenses | 7,839,062 | 3,811,287 | - | 11,650,349 |
| Lease liabilities | 67,136 | 166,225 | 53,867 | 287,228 |
| Total | 7,906,198 | 3,977,512 | 53,867 | 11,937,577 |

Equity price risk:

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in unquoted securities classified as financial assets at FVOCI. The Group is not currently exposed significantly to such risk.

28- Fair value measurement

The Group measures the financial assets at FVTPL and financial assets at FVOCI 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.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities, measured or disclosed at fair value, are classified in the consolidated financial statements through a fair value hierarchy based on the lowest significant inputs level in proportion to the fair value measurement as a whole, as follows:

- 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.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

| | | 2024 | | |
|----------------------------------|--|----------------|------------------|------------------|
| | | Level 1 | Level 3 | Total |
| Financial assets at FVTPL | | 792 | - | 792 |
| Financial assets at FVOCI | | - | 605,467 | 605,467 |
| | | 792 | 605,467 | 606,259 |
| | | 2023 | | |
| | | Level 1 | Level 3 | Total |
| Financial assets at FVTPL | | 319 | 613,504 | 613,823 |
| Financial assets at FVOCI | | 19,401 | 1,153,319 | 1,172,720 |
| | | 19,720 | 1,766,823 | 1,786,543 |

There were no transfers between any levels of the fair value hierarchy during the year ended December 31, 2024.

For assets and liabilities that are recognized in the consolidated 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 management assessed that the fair values of cash, term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

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The disaggregated movement in items categorized within level 3 is as follows:

| | Financial assets at FVTPL | Financial assets at FVOCI | Total | |
|--|------------------------------|------------------------------|------------------|-----------|
| | | | 2024 | 2023 |
| Balance at the beginning of the year | 613,504 | 1,153,319 | 1,766,823 | 612,604 |
| Recoveries | (613,500) | - | (613,500) | - |
| Related to acquisition of a subsidiary | - | - | - | 1,153,319 |
| Change in fair value | (4) | (547,852) | (547,856) | 900 |
| Balance at the end of the year | - | 605,467 | 605,467 | 1,766,823 |

The level 3 assets unobservable inputs and sensitivity are as follows:

| Description | Unobservable inputs | Average rates | Sensitivity analysis |
|----------------------------|---|----------------------|---|
| Equity securities at FVOCI | Investee's net assets are adjusted using discount rates to determine their fair value | Discount rate of 30% | Any increase or decrease in unobservable inputs will thereby result to increase or decrease at fair value with constant of all other factors. |

29- 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 resource structure to reduce the cost of capital.

In order to maintain or adjust the capital resource 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.