

**Afcons Infrastructures Kuwait for Building, Road and
Marine Contracting WLL**

**Independent Auditor's Report
and
Annual Financial Statements**

31 December 2022

C o n t e n t s

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Profit or Loss	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 24

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AFCONS INFRASTRUCTURES KUWAIT FOR BUILDING, ROAD AND MARINE CONTRACTING W.L.L

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Afcons Infrastructures Kuwait for Building, Road and Marine Contracting W.L.L, Kuwait, (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

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

Basis of Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AFCONS INFRASTRUCTURES KUWAIT FOR BUILDING, ROAD AND MARINE CONTRACTING W.L.L
(Continued)

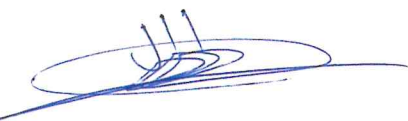
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with 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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations and by the Company's Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Company or on its financial position.



Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche - Al-Wazzan & Co.

Kuwait
31 May 2023

Statement of Financial Position as at 31 December 2022

		Kuwaiti Dinars	
	Note	2022	2021
ASSETS			
Current assets			
Cash and bank balances	3	4,239	4,196
Other receivables	4	13,490	13,490
Due from a related party	5	686,339	606,347
		704,068	624,033
Non-current assets			
Equipment	6	31,170	92,429
Total assets		735,238	716,462
LIABILITIES AND EQUITY			
Current liabilities			
Other payables	7	2,554	2,028
Non-current liabilities			
Post-employment benefits		3,283	2,110
Equity			
Share capital	8	120,000	120,000
Statutory reserve	8	60,941	59,233
Voluntary reserve	8	60,941	59,233
Retained earnings		487,519	473,858
		729,401	712,324
Total liabilities and equity		735,238	716,462

The accompanying notes 1 to 14 are an integral part of these financial statements.



Saad Abdulazeez Saad Alqanbar
General Manager

Afcons Infrastructures Kuwait for Building, Road and Marine Contracting W.L.L
Kuwait

Statement of Profit or Loss - Year ended 31 December 2022

	Note	Kuwaiti Dinars	
		2022	2021
Revenue			
Leasing income		58,700	121,800
Service income		13,900	12,600
		<u>72,600</u>	<u>134,400</u>
Expenses			
General and administrative expenses	9	(33,080)	(20,672)
Depreciation	6	(22,443)	(26,659)
		<u>(55,523)</u>	<u>(47,331)</u>
Profit for the year		<u>17,077</u>	<u>87,069</u>

The accompanying notes 1 to 14 are an integral part of these financial statements.

Afcons Infrastructures Kuwait for Building, Road and Marine Contracting W.L.L
Kuwait

Statement of Profit or Loss and Other Comprehensive Income – Year ended 31 December 2022

	Kuwaiti Dinars	
	2022	2021
Profit for the year	17,077	87,069
Other comprehensive income:		
<i>Items that may be reclassified subsequently to statement of profit or loss</i>	-	-
Total comprehensive income for the year	17,077	87,069

The accompanying notes 1 to 14 are an integral part of these financial statements.

Statement of Changes in Equity – Year ended 31 December 2022

	Kuwaiti Dinars				Total
	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	
As at 31 December 2020	120,000	50,526	50,526	404,203	625,256
Total comprehensive income for the year	-	-	-	87,069	87,069
Transfer to reserves	-	8,707	8,707	(17,414)	-
As at 31 December 2021	120,000	59,233	59,233	473,858	712,324
Total comprehensive income for the year	-	-	-	17,077	17,077
Transfer to reserves	-	1,708	1,708	(3,416)	-
As at 31 December 2022	120,000	60,941	60,941	487,519	729,401

The accompanying notes 1 to 14 are an integral part of these financial statements.

Afcons Infrastructures Kuwait for Building, Road and Marine Contracting W.L.L
Kuwait

Statement of Cash Flows – Year ended 31 December 2022

	Note	Kuwaiti Dinars	
		2022	2021
Cash flows from operating activities			
Profit for the year		17,077	87,069
<i>Adjustments:</i>			
Depreciation	6	22,443	26,659
Loss on disposal of equipment		6,097	-
Cash flows from operating activities before working capital changes		45,617	113,728
Increase in due from a related party		(79,992)	(120,554)
Increase in other payables		526	-
Increase in post-employment benefits		1,173	605
Net cash used in operating activities		(32,676)	(6,221)
Cash flows from investing activities			
Proceeds from disposal of equipment	6	32,719	6,523
Net cash from investing activities		32,719	6,523
Net increase in cash and cash equivalents		43	302
Cash and cash equivalents at beginning of the year		4,196	3,894
Cash and cash equivalents at end of the year	3	4,239	4,196

The accompanying notes 1 to 14 are an integral part of these financial statements.

Notes to the Financial Statements – 31 December 2022

1. Incorporation and activities

Afcons Infrastructures Kuwait for Building, Road and Marine Contracting W.L.L, Kuwait (the "Company") is a Kuwaiti limited liability company incorporated on 14 September 2011. The principal objective of the Company is to undertake general contracting for buildings, roads, drainage, bridges and marine contracting.

The address of the registered office of the Company is Office No - 14, Mezzanine Floor, Bldg. No. 35, Block. No. 1, Al-Mekhyal Complex, Dajeej, Farwaniya, Kuwait.

These financial statements were approved and authorized for issue by the Company's members on 31 May 2023

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee under the historical cost basis of measurement.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 14.

The financial statements have been presented in Kuwaiti Dinars (KD), which is the Company's functional currency.

Going concern

The members have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 New and revised accounting standards

Effective for the current year

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the following new and amended IASB Standards during the year:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021

Notes to the Financial Statements – 31 December 2022

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract</p> <p>The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p>Annual improvements have made minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022.
--	---	--

The application of these amendments did not have any significant impact on the Company's financial statements.

2.3 Standard issued but not effective

The following are the new and revised standards that have been issued but are not yet effective.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	Deferred until accounting periods starting not earlier than 1 January 2024

Notes to the Financial Statements – 31 December 2022

	<p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p> <p>The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.</p>	
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies	<p>The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.</p> <p>The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.</p>	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2.4 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

The Company classifies its financial assets as “Financial assets carried at amortised cost”.

The amortised 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 amortisation 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 amortised cost of a financial asset before adjusting for any loss allowance.

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

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘Sell’ business model and measured at Fair Value through Profit or Loss. The Company’s business model is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Company’s assessment.

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 Company assesses whether the financial instruments' contractual 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 and 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 basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Impairment of financial assets

The Company recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company 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 Company 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 Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Notes to the Financial Statements – 31 December 2022

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- 1) the financial instrument has a low risk of default;
- 2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- 3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Notes to the Financial Statements – 31 December 2022

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. 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 is recognised in the statement of profit or loss as the modification gain or loss within other gains and losses.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying statement of financial position when a legally enforceable right to set off such amounts exists and when the Company intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.5 Fair values

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

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

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

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

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

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

Notes to the Financial Statements – 31 December 2022

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company 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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6 Cash and bank balances

Cash in hand, current accounts and time deposits with banks whose original maturities do not exceed a period of three months from the date of placement are included in cash and cash equivalents in the statement of cash flows.

2.7 Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Plant & machinery	8
Furniture & fixtures	15
Computers	5.5
Office equipment	20
Motor vehicle	8

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are taken to the statement of profit or loss. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.8 Impairment of non-financial assets

If there is an indication that the carrying value of non-financial assets such as property and equipment is greater than its recoverable amount, it is tested for impairment and the asset is written down to its recoverable amount.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In that case, they are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of property and equipment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Company prepares formal four to five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the four to five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. An impairment loss is recognized immediately in the statement of profit or loss unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previously recognized revaluation gain.

Notes to the Financial Statements – 31 December 2022

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. That relating to goodwill cannot be reversed in a subsequent period.

2.9 Post-employment benefits

The Company is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans, to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed.

The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the reporting date. This basis is considered to be a reliable approximation of the present value of this liability.

2.10 Provisions for liabilities

Provisions for liabilities are recognized, when, as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

2.11 Revenue recognition

The Company accounts for a contract with a customer when it has written approval, the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. If the consideration promised in a contract includes a variable amount, the Company estimates the amount to which it expects to be entitled using either the expected value or most likely amount method.

Revenues from services

Service income is recognized over the period of time as the Company satisfies the performance obligation by transferring the promised services to the customer.

Lease income

Operating lease income is recognized on a straight line basis over the period of the lease agreements. (see 2.13)

2.12 Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at the rates prevailing on transaction dates. Monetary assets and liabilities in foreign currencies on the statement of financial position date are translated at exchange rates ruling at the statement of financial position date and resultant gains and losses are taken to the statement of profit or loss.

2.13 Accounting for lease

The Company is a lessee

The Company assesses whether contract is or contains a lease, at inception of the Contract. The Company recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Company (the commencement date).

On that date, the Company measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Company incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in statement of profit or loss.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

For short-term leases (lease term of 12 months or less) the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Subsequent measurement

After the commencement date, the Company measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Company determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of profit or loss. The depreciation starts at the commencement date of the lease.

After the commencement date, the Company measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

Notes to the Financial Statements – 31 December 2022

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Where the Company is the lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

2.14 Contingencies

Contingent assets are not recognized as an asset till realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

3. Cash and bank balances

	Kuwaiti Dinar	
	2022	2021
Cash on hand	608	608
Current account with a bank	3,631	3,588
	<u>4,239</u>	<u>4,196</u>

The carrying amount of the Company's cash and bank balances is denominated in Kuwaiti Dinars.

Notes to the Financial Statements – 31 December 2022

4. Other receivables

	Kuwaiti Dinar	
	2022	2021
Refundable deposits	13,490	13,490

The carrying amount of the Company's other receivables is denominated in Kuwaiti Dinars.

5. Due from a related party

	Kuwaiti Dinars	
	2022	2021
Afcons Infrastructures Limited, India (Member)	686,339	606,347

The carrying amount of due from a related party is denominated in Kuwaiti Dinars.

6. Equipment

	Kuwaiti Dinars				
	Plant & machinery	Furniture & fixtures	Computers and office equipment	Motor vehicle	Total
Cost					
As at 31 December 2020	85,450	793	3,051	183,251	272,545
Disposals	-	-	(2,091)	(19,171)	(21,262)
As at 31 December 2021	85,450	793	960	164,080	251,283
Transfers	(49,100)	-	-	(38,413)	(87,513)
Disposals	-	-	-	(21,000)	(21,000)
As at 31 December 2022	36,350	793	960	104,667	142,770
Accumulated depreciation					
As at 31 December 2020	54,393	349	2,398	89,794	146,934
Charge for the year	9,664	50	46	16,899	26,659
Disposals	-	-	(2,091)	(12,648)	(14,739)
As at 31 December 2021	64,057	399	353	94,045	158,854
Charge for the year	8,027	46	42	14,328	22,443
Transfers	(37,879)	-	-	(16,915)	(54,794)
Disposals	-	-	-	(14,903)	(14,903)
As at 31 December 2022	34,205	445	395	76,555	111,600
Net book value					
As at 31 December 2022	2,145	348	565	28,112	31,170
As at 31 December 2021	21,393	394	607	70,035	92,429

Transfers pertain to equipment transferred to a related party.

7. Other payables

	Kuwaiti Dinar	
	2022	2021
Accruals and others	2,554	2,028

Notes to the Financial Statements – 31 December 2022

8. Equity

Share capital

The share capital of the Company comprises of 100 shares of KD 1,200 each (31 December 2021: 100 shares of KD 1,200 each) fully paid up in cash as follows:

	Number of shares		Kuwaiti Dinars	
	2022	2021	2022	2021
Joint Scientific Group Co. for General Trading & Contracting (Nader Al – Awadhi & Partner) Company WLL	51	51	61,200	61,200
Afcons Infrastructures Limited, India	49	49	58,800	58,800
	<u>100</u>	<u>100</u>	<u>120,000</u>	<u>120,000</u>

Statutory reserve

In accordance with the Companies Law No. 1 of 2016 and the Company's Articles of Association, as amended, 10% of the profit for the year has been transferred to statutory reserve. The Companies Law No. 1 of 2016 and the Company's Articles of Association, as amended, permits discontinuance of appropriations to statutory reserve when the balance reaches 50% of the share capital. The statutory reserve can be utilised only to pay a maximum dividend of up to 5% of the share capital in years when the retained earnings are inadequate for this purpose.

Voluntary reserve

In accordance with the the Company's Articles of Association, as amended, 10% of the profit for the year has been transferred to voluntary reserve. This may be discontinued by a resolution of the ordinary general meeting of the members. There is no restriction on utilization of voluntary reserve.

9. General and administrative expenses

	Kuwaiti Dinar	
	2022	2021
Staff costs	15,073	13,206
Short term leases	9,000	5,250
Professional charges	2,545	2,000
Loss on disposal of equipment	6,097	-
Others	365	216
	<u>33,080</u>	<u>20,672</u>

10. Related party transactions

These represent transactions with the Company's members, executive officers and key management of the Company and companies of which they are principal owners or over which they are able to exercise significant influence. Pricing policies and terms of these transactions are approved by the Company's management.

During the year, the Company has entered into transactions with related parties on terms approved by the Company's management. Transactions and balances with related parties not disclosed elsewhere in these financial statements are as follows:

	Kuwaiti Dinar	
	2022	2021
Transactions		
Leasing income	58,700	121,800
Service income	13,900	12,600

Key management compensation is paid by Afcons Infrastructures Limited, India and no recharges were made to the Company.

11. Financial risk management

The Company's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk and liquidity risk. The Company continuously reviews its risk exposures and takes measures to limit them to acceptable levels. Risk management is carried out by the members. The significant risks that the Company is exposed to are discussed below:

a. 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 Company to credit risk, consist principally of bank balances, other receivables in the nature of financial assets and due from a related party. The Company manages this risk by placing its bank balances with high credit rated/investment grade institutions. The Company manages credit risk with respect to other receivables in the nature of financial assets and due from a related party by periodic evaluation of their credit worthiness and continuously monitoring the past due outstanding amounts.

The Company considers its maximum exposure to credit risk to be as follows:

	Kuwaiti Dinar	
	2022	2021
Bank balances	3,631	3,588
Other receivables	13,490	13,490
Due from a related party	686,339	606,347
	<u>703,460</u>	<u>623,425</u>

ECL on financial assets classified as carried at amortised cost was assessed as not material. None of the Company's financial assets are secured by collateral or other credit enhancement.

For more information refer to notes 3, 4 and 5.

b. Market risk

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

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. A 10% weakening/strengthening of the functional currency against the major currencies do not have a material impact on the results of the Company.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at 31 December 2022 and 31 December 2021, the Company did not have any floating rate interest bearing financial instruments and therefore the changes in market interest rates do not have any impact on the net result of the Company.

(iii) Equity price risk

Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Company does not hold any quoted investments and therefore is not exposed to equity price risk.

Notes to the Financial Statements – 31 December 2022

c. *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing commitments. The Company measures liquidity risk by projecting the availability of future cash flows using historical and other related data.

The table below analyses the Company's financial liabilities into relevant maturity grouping based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Kuwaiti Dinars			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2022				
Other payables	2,554	-	-	-
At 31 December 2021				
Other payables	2,028	-	-	-

12. Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the year.

All components of equity are managed as capital. As of 31 December 2022 and 2021, the Company does not have any external borrowings.

13. Fair value of financial instruments

Fair values of the financial instruments carried at amortized cost approximate their carrying value. This is based on Level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

14. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgments and estimates that are significant to the financial statements are shown below:

Contingent liabilities/liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Notes to the Financial Statements – 31 December 2022

Classification of financial assets

The Company determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. Refer note 2.4 for classification of financial assets for more information.

Impairment and useful lives of equipment

At each reporting date, the Company's management assesses, whether there is any indication that equipment may be impaired. If so, the recoverable amount of an asset is determined based on the 'value-in-use' method. This method uses estimated cash flow projections over the estimated useful life of the asset.

The Company's management determines estimated useful lives and related depreciation charge for the year. The estimate is based on product life cycle of the equipment. It could change significantly as a result of change in technology. Management increases the depreciation charge where the useful lives are lower than the previously estimated lives.

Any change in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets.