AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2023

Commercial Registration Number	55965
Directors	Mr. Ernesto Javier Parra Bertolotto Mr. Paul Van Den Hende Mr. Jose Igancio Fores Piquer - (up to 13 June 2023) Mr. Thomas Julien Renaud Marie Becle - (From 14 June 2023)
Registered Office	Building 285, Road 1505, Block 115, Hidd Town, Kingdom of Bahrain.
Bankers	HSBC Bank Middle East Limited Building: 2505, Road: 2832, Block 428 P.O. Box 57 Seef Kingdom of Bahrain.
Auditor	Ernst & Young - Middle East P.O. Box 140 Manama Kingdom of Bahrain.

Contents of the financial statements for the year ended 31 December 2023

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

REPORT OF THE BOARD OF DIRECTORS

The Company's Board of Directors has pleasure in submitting its report and the audited financial statements of Al Ezzel Operation and Maintenance Company W.L.L. ("the Company") for the year ended 31 December 2023.

Principal activities
The principal activities of the Company are to provide maintenance and operation services and consultancy services for customers in the field of power and water generation industry.

Results for the year
During the year ended 31 December 2023, the Company generated revenue of BD 23,684,981 (2022: BD 23,904,270) and reported a profit of BD 7,954,587 (2022: BD 5,709,132).

Movements in retained earnings during the year are as follows:

	BD
Balance as of 1 January 2023	**5,749,457**
Profit for the year	**7,954,587**
Dividend approved and paid	**(5,678,643)**
Balance as of 31 December 2023	**8,025,401**

Auditors
Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Company, for the year ending 31 December 2024, will be submitted to the Annual General Meeting.

Signed on behalf of the Board of Directors on 05 March 2024 by:

Ernesto Javier Parra Bertolotto Director	Paul Van Den Hende Director

Ernst & Young - Middle East
P O Box 140
10th Floor, East Tower
Bahrain World Trade Centre
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977-1

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

Report on the audit of the Financial Statements

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information included in the Company's report of the Board of Directors

Other information consists of the information included in Company's Report of the Board of Directors, set out on page 3, other than the financial statements and our auditor's report thereon. The Company's Board of Directors is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L. (continued)

Report on the audit of the Financial Statements (continued)

Responsibilities of the Company's Board of Directors for the financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Company's Board of Directors 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, the Company's Board of Directors 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 the Company's Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 the Company's Board of Directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L. (continued)

Report on the audit of the Financial Statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Company's Board of Directors' 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 the Company's Board of Directors 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

As required by the Bahrain Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;

b) the financial information contained in the Report of the Company's Board of Directors is consistent with the financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company's memorandum of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Company or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst & Young

Auditor Registration No. 186
20 March 2024
Manama, Kingdom of Bahrain

STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Notes	*2023* *BD*	*2022* *BD*
ASSETS			
Non-current asset			
Property and equipment	4	**598,160**	551,719
Current assets			
Inventories	5	**3,808,797**	3,599,196
Advances, prepayments and other receivables	6	**831,179**	904,008
Amounts due from related parties	7	**2,785,376**	8,066,584
Bank balances and cash	8	**10,469,042**	6,336,369
		17,894,394	18,906,157
TOTAL ASSETS		**18,492,554**	19,457,876
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**20,000**	20,000
Statutory reserve	10	**10,000**	10,000
Retained earnings		**8,025,401**	5,749,457
Total equity		**8,055,401**	5,779,457
Non-current liabilities			
Employees' end of service benefits	12	**666,646**	665,158
Contract liabilities	13	**4,775,134**	3,725,694
		5,441,780	4,390,852
Current liabilities			
Contract liabilities	13	**768,941**	-
Trade payables and accruals	14	**4,131,630**	5,111,164
Amounts due to related parties	7	**94,802**	4,176,403
		4,995,373	9,287,567
Total liabilities		**10,437,153**	13,678,419
TOTAL EQUITY AND LIABILITIES		**18,492,554**	19,457,876

Ernesto Jabier Parra Bertolotto
Director

Paul Van Den Hende
Director

The attached notes 1 to 22 form part of these financial statements.

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023 BD**	2022 BD
Revenue from contracts with customers	7, 15	**23,684,981**	23,904,270
Direct costs	16	**(14,315,970)**	(16,276,789)
GROSS PROFIT		**9,369,011**	7,627,481
General and administration expenses	17	**(1,729,380)**	(1,638,899)
Provision for expected credit losses	7	**-**	(368,283)
Other income	18	**374,516**	98,813
Foreign exchange losses - net		**(59,560)**	(9,980)
PROFIT FOR THE YEAR	19	**7,954,587**	5,709,132
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,954,587**	5,709,132

Ernesto Jabier Parra Bertolotto
Director

Paul Van Den Hende
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
At 1 January 2022	20,000	10,000	5,800,783	5,830,783
Profit and total comprehensive income for the year	-	-	5,709,132	5,709,132
Dividend approved (note 11)	-	-	(5,760,458)	(5,760,458)
At 31 December 2022	20,000	10,000	5,749,457	5,779,457
Profit and total comprehensive income for the year	-	-	7,954,587	7,954,587
Dividend approved (note 11)	-	-	(5,678,643)	(5,678,643)
At 31 December 2023	**20,000**	**10,000**	**8,025,401**	**8,055,401**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	***2023*** **BD**	*2022* *BD*
OPERATING ACTIVITIES			
Profit for the year		**7,954,587**	5,709,132
Adjustments for:			
Depreciation	4	**148,819**	126,578
Gain on disposal of property and equipment		**-**	(4,141)
Provision for employees' end of service benefits	12	**90,343**	97,603
Provision for expected credit losses	7	**-**	368,283
Reversal of expected credit losses	7	**(191,334)**	-
Interest income	18	**(357,357)**	(72,840)
Operating profit before working capital changes		**7,645,058**	6,224,615
Working capital changes:			
Inventories		**(209,601)**	(146,544)
Advances, prepayments and other receivables		**72,829**	(743,780)
Amounts due from related parties		**5,472,542**	(6,175,534)
Trade payables and accruals		**(979,534)**	1,982,889
Contract liabilities		**1,818,381**	179,225
Amounts due to related parties		**(4,081,601)**	3,386,582
Cash flows from operations		**9,738,074**	4,707,453
Employees' end of service benefits paid	12	**(88,855)**	(155,166)
Interest received	18	**357,357**	72,840
Net cash flows from operating activities		**10,006,576**	4,625,127
INVESTING ACTIVITIES			
Additions to property and equipment	4	**(195,260)**	(63,052)
Proceeds from disposal of property and equipment		**-**	25,030
Net cash outflows from investing activities		**(195,260)**	(38,022)
FINANCING ACTIVITY			
Dividend paid and cash used in financing activity	11	**(5,678,643)**	(5,760,458)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**4,132,673**	(1,173,353)
Cash and cash equivalents at 1 January		**6,336,369**	7,509,722
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**10,469,042**	6,336,369

1 ACTIVITIES

AL Ezzel Operation and Maintenance Company W.L.L. (the "Company") is a limited liability company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 55965 on 8 March 2005. The address of the Company's registered office is Building 285, Road 1505, Block 115, Hidd Town, Kingdom of Bahrain.

The principal activities of the Company are to provide maintenance and operation services and consultancy services for customers, especially in power and water generation industry.

The majority shareholder of the Company is Kahrabel F.Z.E. ('the Parent Company'), a company registered in the United Arab Emirates. The Ultimate Parent of the Company is ENGIE S.A., a Company registered in La Défense, France.

The financial statements were authorised for issue by the Board of Directors on 5 March 2024.

2 MATERIAL ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the applicable requirements of the Bahrain Commercial Companies Law.

Basis of preparation

The financial statements are prepared under the historical cost convention.

The functional currency of the Company is United States Dollars (USD) and the financial statements are presented in Bahraini Dinars (BD). The Company uses a fixed exchange rate of 0.376 to translate transactions and balances in USD to BD.

New and amended standards effective as of 1 January 2023

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year, except for certain amendments to standards adopted by the Company as of 1 January 2023. The Company has not early adopted any other standard or amendment that has been issued but is not yet effective. The adoption of these standards did not have any effect on the Company's financial position, financial performance or disclosures.

- IFRS 17 - Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. This standard did not impact the Company's financial statements;

- Definition of Accounting Estimates – Amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. This amendment did not impact the Company's financial statements;

2 MATERIAL ACCOUNTING POLICIES (continued)

New and amended standards effective as of 1 January 2023 (continued)

- The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. This amendment did not impact the Company's financial statements; and
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. This amendment did not impact the Company's financial statements.

The Company has not early adopted any other standard or amendment that has been issued but is not yet effective.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback - In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction. The amendments are effective for annual reporting periods beginning on or after 1 January 2024;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current- In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 ; and
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 - In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024.

The Company's management is currently assessing the impact of the above standards on the Company's financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

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

An asset is classified as current when it is:

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

The Company 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;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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

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

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

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

The 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 minimising the use of unobservable inputs.

All assets and liabilities for which fair value is 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 : 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; and

2 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the 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.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

Depreciation on property and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Sheds and cabins	- 10 - 15 years
Tools	- 5 - 10 years
Motor vehicles	- 5 years
Information technology equipment	- 2 - 5 years
Furniture	- 5 - 7 years

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

The carrying value of property and equipment is 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.

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and is determined on weighted average cost basis.

2 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that a previously recognised impairment loss 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 assumptions 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 if any, had no impairment loss been recognised for the asset in the prior years. Such reversal is recognised in the statement of comprehensive income.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under revenue from contracts with customers policy.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

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

The Company's financial assets at amortised cost include amounts due from related parties, other receivables, bank balances and cash.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial asset that are determined to have low credit risk at the reporting date; and
- financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)
Impairment of financial assets (continued)
The Company applies a three stage approach to measure the expected credit loss as follows:

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

The Company's financial liabilities consist of trade payables, amounts due to related parties and other payables which are subsequently measured at amortised cost using effective interest rate (EIR) method.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Amortised cost of financial instruments
Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Company provides end of service benefits to its expatriate employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

The Company also makes contributions to the Social Insurance Organisation (SIO) for its Bahraini employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Company performs its obligations under the contract.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services excluding any amounts collected on behalf of third parties such as value added taxes, if any. The Company acts as a principal in its revenue arrangements because it typically controls the services before transferring them to the customers. The Company provides maintenance and operation services to its related parties. Revenue is recognised over time, using output method. The Company's contracts with customers generally include one performance obligation of rendering of services to the customers. The Company's revenue from contracts with customers is generated in the Kingdom of Bahrain.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the services, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer. There are no significant financing components or non-cash consideration in respect of Company's contracts with customers.

Variable consideration:

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customers. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Company's contracts with customers include performance related incentives and penalties/ liquidity damages. To estimate the variable consideration, the Company applies the 'most likely amount' method. The Company then applies the requirements on constraining estimates of variable consideration in determining the revenue to be recognised or deferred.

2 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the date of statement of financial position. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

In the process of applying the Company's accounting policies, the Company's Board of Directors has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Company's Board of Directors has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

i) Identifying performance obligations

The Company's contracts with customers include only one performance obligation, rendering of services to the customers. The Company has considered whether there are any promises in the contract other than rendering of services that are separate performance obligations to which a portion of the transaction price needs to be allocated. However, the Company has concluded that there are no performance obligations other than rendering of services to the customers.

ii) Timing of satisfaction of performance obligation

The Company's management has concluded that the revenue from rendering of services is to be recognised over time as the customers simultaneously receives and utilises the services provided by the Company. The Company has concluded that output method faithfully depicts the Company's performance towards complete satisfaction of the performance obligations.

iii) Principle versus agent considerations

The Company assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements since it typically controls the services before transferring them to the customer.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

iv) Determining method to estimate variable consideration and assessing the constraint

The Company's contracts with customers includes performance related incentives and liquidity damages that give rise to variable considerations. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Management determined that use of most likely amount method is appropriate because this method best predicts the amount of variable consideration to which the Company will be entitled. Further, management concluded that the variable consideration is not material for the years ended 31 December 2023 and 31 December 2022.

Estimates and assumptions

The key assumptions considering the future and other key sources of estimation uncertainty at the date of statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of amounts due from related parties

The Company sets its provision initially based on the Company's historical observed default rates. The Company updates the rates to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

At the reporting date, gross amounts due from related parties amounted to BD 4,056,039 (2022: BD 9,528,581) and the provision for expected credit losses on amounts due from related parties amounted to BD 1,270,663 (2022: BD 1,461,997). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Provision for non-conforming water

The Company recognises provision for non conforming water based on management's best estimate. The Company had settled the non confirming water dispute with its customer (Al Dur Power and Water Company B.S.C.(c)) up to August 2014 following the settlement between Al Dur Power and Water Company B.S.C.(c) and Electricity and Water Authority (EWA). For the remaining period, the Company has recognised provision amounting to BD 415,700 as of 31 December 2023 (2022: BD 400,157) (note 14). Any difference between the amounts actually settled and amounts expected will be recognised in the statement of comprehensive income.

4 PROPERTY AND EQUIPMENT

	Sheds and cabins BD	*Tools BD*	*Motor vehicles BD*	*Information technology equipment BD*	*Furniture BD*	*Total BD*
Cost:						
At 1 January 2023	172,817	543,821	21,400	713,793	25,379	1,477,210
Additions	-	153,759	-	40,404	1,097	195,260
At 31 December 2023	172,817	697,580	21,400	754,197	26,476	1,672,470
Depreciation:						
At 1 January 2023	54,597	364,684	19,700	475,340	11,170	925,491
Charge for the year	11,788	64,665	1,700	67,416	3,250	148,819
At 31 December 2023	66,385	429,349	21,400	542,756	14,420	1,074,310
Net carrying amount:						
At 31 December 2023	**106,432**	**268,231**	**-**	**211,441**	**12,056**	**598,160**

	Sheds and cabins BD	*Tools BD*	*Motor vehicles BD*	*Information Technology equipment BD*	*Furniture BD*	*Total BD*
Cost:						
At 1 January 2022	172,817	543,821	42,289	656,360	19,760	1,435,047
Additions	-	-	-	57,433	5,619	63,052
Disposal	-	-	(20,889)	-	-	(20,889)
At 31 December 2022	172,817	543,821	21,400	713,793	25,379	1,477,210
Depreciation:						
At 1 January 2022	43,119	305,472	38,889	403,367	8,066	798,913
Charge for the year	11,478	59,212	1,700	71,973	3,104	147,467
Disposal during the year	-	-	(20,889)	-	-	(20,889)
At 31 December 2022	54,597	364,684	19,700	475,340	11,170	925,491
Net carrying amount:						
At 31 December 2022	118,220	179,137	1,700	238,453	14,209	551,719

4 PROPERTY AND EQUIPMENT (continued)

4.1 Depreciation charge for the year is allocated as follows:

	2023 BD	*2022 BD*
Direct costs (note 16)	**64,666**	59,212
General and administration expenses (note 17)	**84,153**	88,255
	148,819	147,467

5 INVENTORIES

	2023 BD	*2022 BD*
Spare parts	**3,005,641**	2,844,807
Consumables	**615,688**	556,014
Chemicals	**166,872**	182,394
Tools	**20,596**	15,981
	3,808,797	3,599,196

The inventories are net of provision for obsolescence of BD 36,895 (2022: BD 20,714).

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2023 BD	*2022 BD*
Advances to suppliers and subcontractors	**661,322**	821,616
Other receivables	**169,857**	82,392
	831,179	904,008

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, ultimate parent, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Amounts due from related parties:

	2023 ***BD***	*2022* *BD*
Shareholder		
Kahrabel F.Z.E.	**694**	-
Entities related to the shareholders		
Al Dur Power and Water Company B.S.C. (c)	**3,387,876**	8,122,791
Al Ezzel Power Company B.S.C. (c)	**595,615**	1,153,017
Engie Holding Company (KSA)	**445**	4,355
Tihama Power Generation Company Ltd.	**860**	-
ITM O&M Company Limited	**-**	340
Kahrabel Operation & Maintenance L.L.C. (Oman)	**-**	-
Suez Tractebel Operation and Maintenance Oman W.L.L	**-**	5,036
Mirfa International Power & Water Company PJSC (MIPCO)	**-**	495
Suez Services Saudi Company	**130**	574
Jubail Operation and Maintenance Limited	**1,204**	-
AZN Operation & Maintenance Co. W.L.L.	**258**	-
DHURUMA Operation & Maintenance Company Limited	**291**	-
Al Dur Shared Facilities Company W.L.L	**68,666**	241,973
	4,056,039	9,528,581
Provision for expected credit losses (ECL)	**(1,270,663)**	(1,461,997)
	2,785,376	8,066,584

Movement in provision for ECL during the year is as follows:

	2023 ***BD***	*2022* *BD*
Balance at 1 January	**1,461,997**	1,093,714
Recognised during the year	**-**	368,283
Reversal during the year	**(191,334)**	-
Balance at 31 December	**1,270,663**	1,461,997

As at 31 December, the aging analysis of amounts due from related parties is as follows:

	Total *BD*	*Current* *BD*	*Past due less than 120 days* *BD*	*Past due more than 120 days* *BD*
2023	**2,785,376**	**2,771,109**	**624**	**13,643**
2022	8,066,584	4,292,414	3,774,170	-

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to related parties:

	2023	*2022*
	BD	*BD*
Shareholders		
Kahrabel F.Z.E.	**-**	4,088,164
International Power S.A.	**33,328**	78,128
	33,328	4,166,292
Entities related to the shareholders		
Suez Tractebel Operation and Maintenance L.L.C. (Oman)	**48,163**	-
Engie Information et Technologies	**13,311**	10,111
	94,802	4,176,403

Amounts due from related parties are interest free and generally settled within 30 days of the invoice date. Amounts due to related parties are interest free and generally settled within 30 days of receipt of invoice.

Bank balances held with a related party

The Company earns interest on bank balances held with an entity related to the ultimate parent (Engie Treasury Management S.A.R.L.) as part of cash pooling arrangement between group companies (note 8).

Transactions with related parties included in the statement of comprehensive income are as follows:

	For the year ended 31 December 2023			
	Revenue BD	***Interest income BD***	***Operating costs BD***	***General and administration expenses BD***
Shareholders / entities related to the shareholders	**23,684,981**	**357,357**	**186,426**	**(93,648)**

	For the year ended 31 December 2022			
	Revenue BD	*Interest income BD*	*Operating costs BD*	*General and administration expenses BD*
Shareholders / entities related to the shareholders	23,904,270	72,840	(1,059,728)	(91,319)

As at 31 December 2023, a shareholder (International power S.A.) has issued a corporate guarantee to an entity related to the shareholders (Al Ezzel Power Company B.S.C.(c)) for USD 5,000,000 (BD 1,855,500) (2022: BD 1,855,500). Further, an entity related to the ultimate parent [ENGIE CC S.C.R.L (previously GDF Suez CC S.C.R.L.)] has issued corporate guarantees to an entity related to the shareholders (Al Dur Power and Water Company B.S.C.(c)) and to a supplier (General Electric Company Bahrain W.L.L.) amounting to USD 4,000,000 (BD 1,508,400) and USD 9,250,000 (BD 3,488,175) respectively [2022: USD 4,000,000 (BD 1,508,400 and USD 9,250,000 (BD 3,488,175)respectively]. During the year ended 31 December 2023, corporate guarantee fees charged by related parties amounted to BD 71,494 (2022: BD 71,633) (note 17).

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. During the years ended 31 December 2023 and 31 December 2022, no remuneration was paid to the Board of Directors. Remuneration of other members of management is as follows:

	2023	*2022*
	BD	*BD*
Short term benefits	**105,452**	168,735
Employees' end of service benefits	**-**	6,918
	105,452	175,653

8 BANK BALANCES AND CASH

	2023	*2022*
	BD	*BD*
Bank balances:		
- Bahraini Dinars	**3,796,735**	2,642,629
- US Dollars	**6,668,441**	3,688,509
- Euros	**32**	1,665
Cash on hand	**3,834**	3,566
Bank balances and cash	**10,469,042**	6,336,369

Bank balances include balances held with an entity related to the Ultimate Parent (Engie Treasury Management S.A.R.L.) as part of cash pooling arrangement between ENGIE group companies amounting to BD 10,365,175 (2022: BD 6,232,713). The Company earns interest on these balances under the arrangement (note 7). Other bank balances are held in non-interest bearing current accounts with a commercial bank in the Kingdom of Bahrain.

9 SHARE CAPITAL

The share capital of the Company is BD 20,000 (2022: BD 20,000) comprising of 200 shares of BD 100 each (2022: 200 shares of BD 100 each), distributed among the shareholders as follows:

	2023		*2022*	
	Number of shares	***Shareholding %***	*Number of shares*	*Shareholding %*
Kahrabel F.Z.E.	**198**	**99.00%**	198	99.00%
International Power S.A.	**2**	**1.00%**	2	1.00%
	200	**100.00%**	200	100.00%

10 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's memorandum of association, a statutory reserve equal to 50% of Company's share capital has been created by transfers of prior year profits. This reserve is not available for distribution except in such circumstances as stipulated in Bahrain Commercial Companies Law.

11 DIVIDEND

During the year ended 31 December 2023, a dividend of BD 28,393.215 per share totalling BD 5,678,643 related to 2022 was approved and paid (2022: BD 28,802.290 per share totalling BD 5,760,458 related to 2021 was approved and paid).

12 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position during the year are as follows:

	2023	*2022*
	BD	*BD*
At 1 January	**665,158**	722,721
Provided during the year (note 19)	**90,343**	97,603
Paid during the year	**(88,855)**	(155,166)
At 31 December	**666,646**	665,158

13 CONTRACT LIABILITIES

Movements in contract liabilities recognised in the statement of financial position during the year are as follows:

	2023	*2022*
	BD	*BD*
At 1 January	**3,725,694**	3,546,469
Received during the year	**1,818,381**	1,472,510
Released to statement of comprehensive income	**-**	(1,293,285)
At 31 December	**5,544,075**	3,725,694

As of 31 December, contract liabilities are classified in the statement of financial position as follows:

	2023	*2022*
	BD	*BD*
Current	**768,941**	-
Non-current *	**4,775,134**	3,725,694
	5,544,075	3,725,694

Contract liabilities represent consideration received from the customers for major maintenance works to be carried out in future.

* The related performance obligation will be satisfied between 2-8 years.

14 TRADE PAYABLES AND ACCRUALS

	2023 BD	*2022 BD*
Trade payables (note 21)	**2,873,329**	4,025,067
Accruals for leave salary, air fare and bonus	**539,709**	465,522
Other accruals and provisions	**705,274**	559,532
Other payables (note 21)	**13,318**	61,043
	4,131,630	5,111,164

Accounts payable are non-interest bearing and are normally settled within 60 days of the date of the invoice.

15 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 BD	*2022 BD*
Al Ezzel Power Company B.S.C. (c)	**4,104,133**	5,968,544
Al Dur Power and Water Company B.S.C. (c)	**19,207,795**	17,715,751
Al Dur Shared Facilities Company W.L.L.	**373,053**	219,975
	23,684,981	23,904,270

16 DIRECT COSTS

	2023 BD	*2022 BD*
Costs incurred under:		
Long term supply agreements	**-**	739,928
Long term service agreements	**3,639,064**	4,012,526
	3,639,064	4,752,454
Staff costs (note 19)	**3,180,373**	3,160,506
Repairs and maintenance	**3,292,580**	3,583,829
Spare parts and consumables	**2,391,803**	3,162,367
Chemicals costs	**1,506,044**	1,430,139
Other plant operating costs	**241,440**	128,282
Depreciation (note 4)	**64,666**	59,212
	14,315,970	16,276,789

17 GENERAL AND ADMINISTRATION EXPENSES

	2023 BD	2022 BD
Staff costs (note 19)	**975,335**	912,245
Office supplies	**334,171**	318,439
Depreciation (note 4)	**84,153**	88,255
Catering and kitchen	**77,794**	66,567
Corporate guarantee fees (note 7)	**71,494**	71,633
Legal and professional fees	**33,874**	35,455
Office cleaning	**23,813**	19,454
Entertainment expenses	**38,113**	24,966
Bank charges	**16,435**	13,772
Utilities	**8,133**	11,389
Business travel	**24,824**	9,841
Miscellaneous	**41,241**	66,883
	1,729,380	1,638,899

18 OTHER INCOME

	2023 BD	2022 BD
Proceeds from sale of scrap	**12,649**	16,096
Interest income (note 7)	**357,357**	72,840
Gain on disposals of property and equipment	**-**	4,141
Miscellaneous	**4,510**	5,736
	374,516	98,813

19 PROFIT FOR THE YEAR

Profit for the year is stated after charging the following:

	2023 BD	2022 BD
Staff costs - net:		
Salaries and allowances	**3,584,280**	3,545,481
Employees' end of service benefits (note 12)	**90,343**	97,603
Contributions to Social Insurance Organisation	**291,531**	243,532
Other benefits	**189,554**	186,135
	4,155,708	4,072,751

Staff costs are allocated in the statement of comprehensive income as follows:

	2023 BD	2022 BD
Direct costs (note 16)	**3,180,373**	3,160,506
General and administration expenses (note 17)	**975,335**	912,245
	4,155,708	4,072,751
Inventories recognised as an expense	**3,897,847**	4,592,506

20 COMMITMENTS AND CONTINGENCIES

Commitments:
The Company has a long term service and supply agreement under which it is committed to incur fixed and variable costs, dependent on the relevant indexation adjustments, as specified in the agreements.

	2023	*2022*
	BD	*BD*
Total commitments	**45,723,271**	48,270,636

Committed costs are payable as follows:

	2023	*2022*
	BD	*BD*
Within one year	**3,585,724**	3,683,170
One year to five years	**20,705,554**	21,370,047
More than five years	**21,431,993**	23,217,419
	45,723,271	48,270,636

21 RISK MANAGEMENT

The Company manages risks through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to credit risk, liquidity risk and currency risk.

The Company's management oversees the management of these risks. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on the following financial assets:

	2023	*2022*
	BD	*BD*
Bank balances	**10,465,208**	6,332,803
Amounts due from related parties	**2,785,376**	8,066,584
Other receivables	**169,857**	82,392
	13,420,441	14,481,779

Bank balances
The Company seeks to limit its credit risk with respect to bank balances by dealing with reputable financial institutions. With respect of balances held with an entity related to the ultimate parent (cash pooling arrangement), the Company considers the credit risk to be low.

Amounts due from related parties
With regard to amounts due from related parties, the Company seeks to limit its credit risk by monitoring outstanding balances on an on-going basis. An impairment analysis is performed at each reporting date to measure expected credit losses. Based on the analysis as at 31 December 2023, provision for ECL in respect of amounts due from related parties amounted to BD 1,270,663 (2022: BD 1,461,997), which has determined based on expected credit losses (stage 2).

21 RISK MANAGEMENT (continued)

Credit risk (continued)

Amounts due from related parties (continued)

Set out below is the information on the credit risk exposure of the Company's amounts due from related parties:

	2023	*2022*
	BD	*BD*
Total gross carrying amount at default (BD)	**4,056,039**	9,528,581
Expected credit loss rate (%)	**31%**	15%
Expected credit loss losses (BD)	**1,270,663**	1,461,997

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The Company limits its liquidity risk by ensuring adequate funds are available in its bank accounts. The Company's terms of credit requires customers to settle their dues within 30 days from the date of invoice. Trade payables are normally settled within 60 days from the invoice date.

The table below summarises the Company's undiscounted financial liabilities at 31 December which are payable within 3 months.

	2023	*2022*
	BD	*BD*
Trade payables	**2,873,329**	4,025,067
Amounts due to related parties	**94,802**	4,176,403
Other payables	**13,318**	61,043
	2,981,449	8,262,513

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's financial assets and financial liabilities are denominated primarily in Bahraini Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollar, balances in US Dollars are not considered to represent a significant currency risk and as of the reporting date. Further, there are no material balances outstanding in Euros.

Capital management

The primary objective of the Company's capital management strategy is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company manages the capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022. Equity comprises share capital, statutory reserve and retained earnings and is measured at BD 8,055,401 as at 31 December 2023 (2022: BD 5,779,457).

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities

Financial assets consist of bank balances, cash on hand, amounts due from related parties and other receivables. Financial liabilities consist of trade payables, amounts due to related parties and other payables.

The fair values of the Company's financial instruments approximates their carrying amounts as at the reporting date.

As at 31 December 2023 and as at 31 December 2022, the Company did not hold any financial instrument remeasured at fair value, therefore, disclosure related to fair value hierarchy is not relevant.